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HEALTH SERVICES AND DEVELOPMENT AGENCY
APRIL 26, 2017
APPLICATION SUMMARY

NAME OF PROJECT: Middle Tennessee Imaging, LLC d/b/a Premier Radiology

PROJECT NUMBER: CN1701-003

ADDRESS: 2723 New Salem Highway
Murfreesboro (Rutherford County), TN 37128

LEGAL OWNER: Middle Tennessee Imaging, LLC (MTI)
28 White Bridge Pike, Suite 111
Nashville (Davidson County), TN 37205

OPERATING ENTITY: PhyData, LLC
2024 Business Park Drive
Goodlettsville (Sumner County), TN 37072

CONTACT PERSON: Mark Gaw
(615) 239-2039

DATE FILED: January 13, 2017

PROJECT COST: \$2,626,335.46*

FINANCING: Cash Reserves

PURPOSE FOR FILING: Establishment of an outpatient diagnostic center (ODC) and initiation of magnetic resonance imaging (MRI) services.

**Note: Project cost listed above is \$9,171.54 less than the project cost listed in the application and over double the cost listed in the Letter of Intent. The Project Cost Chart in the application does not reflect a filing fee refund provided to the applicant, since this application was filed at a time after the emergency rules allowing the Agency to increase filing fees expired and before the final rules went into effect. The applicant filed the application with a check reflecting the higher filing fee. The project cost listed in the Letter of Intent accounted only for the square footage of the space dedicated to the MRI and CT services, not the entire ODC.*

DESCRIPTION:

Middle Tennessee Imaging, LLC d/b/a Premier Radiology is seeking approval to establish an outpatient diagnostic center (ODC), the initiation of MRI services, and the acquisition of a fixed 1.5 Tesla MRI unit and fixed 16 slice CT unit at 2723 New Salem Highway, Murfreesboro (Rutherford County), TN. In addition to MRI and CT, the ODC will provide x-ray, mammography, and ultrasound services, which will support primary care services at the newly opened Saint Thomas Health-New Salem site, south of I-24 and St. Thomas Hospital Rutherford.

OUTPATIENT DIAGNOSTIC CENTERS

1. The need for outpatient diagnostic services shall be determined on a county by county basis (with data presented for contiguous counties for comparative purposes) and should be projected four years into the future using available population figures.

The applicant estimates incremental growth of 9,417 MRI scans in the proposed 3-county service area using population figures projected four years in the future using a 2015 Tennessee Use Rate of 89.5 MRI scans/1,000 population. Please refer to page 5 of Supplemental #1.

It appears that the application meets this criterion.

2. Approval of additional outpatient diagnostic services will be made only when it is demonstrated that existing services in the applicant's geographical service area are not adequate and/or there are special circumstances that require additional services.

The applicant noted ODC MRI utilization (representing 3 ODCs and 5 MRIs) in the proposed service area has increased from 86% of the 2,880 MRI utilization standard in 2013, to 96.7% utilization in 2014, to 107% utilization in 2015. The applicant indicates another MRI unit is needed in the service area when factors such as high utilization, population growth, and the aging population are considered.

3. Any special needs and circumstances:
 - a. The needs of both medical and outpatient diagnostic facilities and services must be analyzed.

The applicant states that the proposed ODC will support Saint Thomas Health physicians, as well as other physicians by providing onsite MRI

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 2

and CT services. The new³ proposed Salem site is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford. In 2015 the applicant notes the average use rate of 83.7 per 1,000 population for the 3 County service area was 6.8% lower than Tennessee's MRI use rate of 89.4 MRI per 1,000 population. The applicant indicates the lower use rate, especially in Bedford and Coffee Counties suggests that service area residents have more limited access to MRI services and is underserved for MRI services.

- b. Other special needs and circumstances, which might be pertinent, must be analyzed.

The applicant notes the following special needs and circumstances: 1) high MRI utilization of existing ODC providers (107% of 2,880 MRI utilization standard in 2015), 2) rapid population growth, 3) traffic congestion adversely impacting patient access, and 4) the provision of lower cost ODC services compared to higher cost hospital outpatient department rates.

- c. The applicant must provide evidence that the proposed diagnostic outpatient services will meet the needs of the potential clientele to be served.

1. The applicant must demonstrate how emergencies within the outpatient diagnostic facility will be managed in conformity with accepted medical practice.

The proposed ODC will have a physician present and will be trained to handle all emergency situations. A crash cart, stocked with appropriate emergency equipment and medications will be maintained at all times.

It appears that the application will meet this criterion.

2. The applicant must establish protocols that will assure that all clinical procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant has existing medical necessity and medical appropriateness policies that will be maintained at the New Salem ODC site.

It appears that the application will meet this criterion.

1. Utilization Standards for non-Specialty MRI Units.

a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

The applicant projects 2,164 MRI scans in Year One (2018), 2,540 MRIs in Year Two (2019), and 2,883 MRI scans in Year 3 (2020).

It appears that the applicant is on track to meet the MRI standard and meet this criterion.

b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 4

The criteria identified in items 1.b – 1.e above are not applicable to the applicant's proposed project.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The defined service area for the proposed project includes Rutherford, Bedford, and Coffee Counties. These counties are projected to account for nearly 95% of MTI New Salem's MRI patients.

It appears that this criterion has been met.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

The applicant could not find a better alternative to a 1.5T GE MRI at a cost of \$445,000.

It appears that the applicant will meet this criterion.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20^6 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

In 2015 the overall average utilization of non-specialty MRI units in the applicant's primary and secondary service area was equal to 2,235 procedures per unit, or 77.6% of the 2,880 MRI utilization standard.

It appears that this criterion has not been met.

5. Need Standards for Specialty MRI Units.

This standard does not apply to this application.

6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units.

This standard does not apply to this application.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The applicant has provided information in Tab 12 that documents the proposed 1.5T MRI meets FDA certification requirements.

It appears that this criterion has been met.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

The applicant ensures⁷ that all the requirements listed above will be met.

It appears that this criterion has been met.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

The applicant has protocols in place to appropriately care for emergent patients.

It appears that this criterion has been met.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant has established protocols that ensure all MRI procedures performed are medically necessary and will not unnecessarily duplicate other services.

It appears that this criterion has been met.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant is prepared to meet all American College of Radiology (ACR) standards including those regarding staffing recommendations and requirements.

It appears that this criterion will be met.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

All MTI MRI services are accredited by the American College of Radiology.

It appears that this criterion has been met.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

The applicant will have a transfer agreement with Saint Thomas Hospital Rutherford. The medical director will be an active member of Saint Thomas Hospital Rutherford's hospital medical staff.

It appears that this criterion has been met.

- 8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant indicates that appropriate data is currently submitted to the HSDA Equipment Registry and that data for the proposed MRI unit will be submitted accordingly as well.

It appears that this criterion has been met.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration; or

The applicant states that Rutherford, Bedford, and Coffee Counties are medically underserved areas.

It appears that this criterion has been met.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 8

It appears that this criterion is not applicable

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant contracts with all four TennCare MCOs and participates in the Medicare program.

It appears that this criterion has been met.

- d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

It appears that this criterion is not applicable

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics as a Note to Agency members.

Application Synopsis

The proposed ODC will be located in a newly constructed Saint Thomas Health medical office building that also houses the recently opened St. Thomas Health-New Salem primary care center. The Saint Thomas Health primary care center staffs four family practice providers, and three internal medicine providers and offers physical therapy, laboratory services, express care, walk-in and same-day appointment clinics, and evening and Saturday extended hours. Middle Tennessee Imaging, LLC is currently providing imaging services for Saint Thomas Health-New Salem including x-ray, mammography, and ultrasound services. MTI proposes to develop a new outpatient diagnostic center which will provide onsite MRI and CT services in approximately 726 SF of additional space in the medical office building. The ODC total space will be 3,272 square feet.

An overview of the project is provided on pages 2-3 of the original application.

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 9

Facility and MRI Equipment Information

Key highlights of the applicant's proposed ODC and existing MRI service are noted below.

- The applicant will purchase a refurbished 1.5 Tesla MRI unit at a cost of \$445,000 that will provide musculoskeletal imaging, body and breast imaging, cardiac imaging, neuro imaging and vascular imaging.
- The applicant has negotiated a 9 year 7 month initial term lease with Saint Thomas Health that consists of 3,272 SF of space at a cost of \$1,095,925.
- The estimated square footage to be renovated for the proposed MRI/CT unit is 726 square feet at a cost of \$223,205 or \$307 per square foot.
- The applicant will be managed by PhyData, LLC located at 2024 Business Park Circle, Goodlettsville (Sumner County), TN.
- The hours of operation will consist of Monday through Friday from 8 am to 5 pm.

Ownership

- Middle Tennessee Imaging, LLC d/b/a Premier Radiology is a joint venture between Saint Thomas Health (53.86%), NOL, LLC (42.15%), and Murfreesboro Imaging Partners (3.99%).
- MTI was created to own and operate outpatient diagnostic centers.
- An organizational/ownership chart is located in Attachment A.4. and includes a listing of 22 related healthcare institutions located in Tennessee.

NEED

Project Need

The applicant states that the proposed additional MRI unit is needed for the following reasons:

- The proposed project site is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford where there are no ODC providers.
- Demand for ODC, MRI, and CT services is expected to grow as the service area population increases and reimbursement plans continue to shift a greater portion of healthcare costs to the patient.
- If approved, patient deductibles and co-pays will be less in the ODC setting making ODC services more accessible and affordable.

Service Area Demographics

The counties in the applicant's service area include Bedford, Coffee, and Rutherford Counties.

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 10

- The total population of the service area is estimated at 435,547 residents in calendar year (CY) 2017 increasing by approximately 10.2% to 480,017 residents in CY 2021.
- The overall Tennessee statewide population is projected to grow by 4.2% from 2017 to 2021.
- The Age 65+ population of the service area is estimated at 52,345 residents in calendar year (CY) 2017 increasing by approximately 22.6% to 64,157 residents in CY 2021.
- The overall Tennessee statewide Age 65+ population is projected to grow by 15.8% from 2017 to 2021.
- The Age 65+ population is expected to account for 13.4% of the total population in 2021 compared to 18.3% statewide.
- The proportion of TennCare enrollees of the service area population is 18.9%, compared with the state-wide average of 22.7%. The proportions vary from 16.5% in Rutherford County to 27.0% in Bedford County.

Service Area Historical Utilization

Service Area Historical MRI Utilization, 2013-2015

Provider	*Type	County	# of MRIs In 2015	2013	2014	2015	% of MRI Standard in 2015 (1)	% Change
MTI Rutherford	ODC	Rutherford	2	5,169	5,595	6,480	113%	+25.4%
MTI Smyrna	ODC	Rutherford	2	2,392	3,003	3,614	63%	+51.1%
The Image Ctr of Murfreesboro	ODC	Rutherford	1	4,827	5,327	5,244	182%	+8.6%
Saint Thomas Rutherford	HOSP	Rutherford	2	1,964	1,994	2,572	45%	+31.0%
TriStar Stonecrest	HOSP	Rutherford	1	2,369	2,509	2,896	101%	+22.2%
Murfreesboro Medical Clinic	PO	Rutherford	1	1,994	2,344	2,770	96%	+38.9%
Tennessee Orthopaedic Alliance Imaging	PO	Rutherford	2	4,148	4,528	4,530	79%	+9.2%
Rutherford County Sub-Total			11	22,863	25,300	28,106	89%	+22.9%
Harton Regional Hospital	HOSP	Coffee	1	2,538	2,293	2,354	82%	-7.2%
United Regional Medical Center	HOSP	Coffee	0	1615	1,566	N/A	N/A	N/A
Medical Center of Manchester	HOSP	Coffee	0	632	734	N/A	N/A	N/A
Unity Medical Center	HOSP	Coffee	2	N/A	N/A	1,871	32%	N/A
Coffee County Sub-Total			3	4,785	4,593	4,225	49%	-11.7%
Heritage Medical Center	HOSP	Bedford	1	1,131	1,148	1,199	42%	+6.0%
SERVICE AREA TOTAL			15	28,779	31,041	33,530	78%	+16.5%

*HOSP= Hospital, PO = Physician Office, HODC = Imaging Center that is a hospital department, ODC = Outpatient Diagnostic Center

Source: HSDA Equipment Registry

(1) 3rd Year of service standard of 2,880 MRI procedures per year is applied

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 11

- There are 14 non-specialty MRIs and 1 specialty MRI (Tennessee Orthopaedic Alliance Imaging) in the 3 county service area.
- The chart above indicates that MRI volumes in the service area increased 16.5% between 2013 and 2015. Eight of the providers experienced increased volume during this time period including MTI Rutherford and MTI Smyrna.
- Harton Regional Medical Center (Coffee County) was the only MRI provider in the service area to experience declining volumes.
- Overall, the MRIs in the service area are operating at 78% of the optimal MRI volume standard in 2015.
- Seven of the providers did not attain the 2,880 MRI standard in 2015.
- Overall, the three service area counties did not meet the MRI 2,880 utilization standard in 2015.

Applicant's Historical and Projected Utilization

- MTI operates one ODC in Murfreesboro (MTI-Murfreesboro) which is located in a medical office building at 1840 Medical Center Parkway on the campus of Saint Thomas Rutherford Hospital. MTI Murfreesboro includes 2 MRI units and one CT and is located five miles from the applicant's new proposed MTI ODC site in New Salem.
- In addition, MTI operates a second ODC in Rutherford County that is located in Smyrna (MTI-Smyrna). The Smyrna location includes 2 MRI units and 1 CT unit and serves residents primarily located in north Rutherford County and south Davidson County. The Smyrna MTI ODC is over 17 miles from the new proposed MTI ODC site in New Salem.

Please see patient origin data below for MTI Murfreesboro and MTI-Smyrna for the period 1/1/2016 through 11/30/2016 as compared to the proposed MTI new Salem location.

	City	County	MTI Smryna	MTI-Murfreesboro	MTI New Salem
37129	Murfreesboro	Rutherford	8.5%	18.0%	
37130	Murfreesboro	Rutherford	3.4%	17.7%	
37128	Murfreesboro	Rutherford		16.2%	X
37127	Murfreesboro	Rutherford		6.2%	X
37355	Manchester	Coffee		4.3%	
37160	Shelbyville	Bedford		3.8%	
37167	Smryna	Rutherford	36.1%	3.8%	
37110	McMinnville	Warren		2.7%	
37037	Christiana	Rutherford		2.6%	X
37190	Woodbury	Cannon		2.2%	
37153	Rockdale	Rutherford		1.8%	X
37085	Lascassas	Rutherford		1.6%	
37086	La Vergne	Rutherford	21.6%		
37013	Antioch	Davidson	11.0%		
37018	Murfreesboro	Rutherford	3.6%		
Others			15.8%	19.0%	
Total			100%	100%	

Source: CN1701-003, Pages 23 and 25

- If MTI New Salem is approved, it appears MTI Murfreesboro will be mostly impacted since 4 ZIP Codes (37128, 37127, 37037, and 37153) would be shared as service areas by both facilities.
- The 4 ZIP Codes (37128, 37127, 37037, and 37153) represented 26.80% of all patients for MTI Murfreesboro.
- MTI Smryna would be less impacted since it would not be sharing any ZIP Codes in their services area and is almost 17 miles away.
- The applicant provided a MTI Murfreesboro Patient Origin Map in the application attachments.

The applicant provides projected MRI utilization as follows:

County /ZIP Code	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
Rutherford County ZIP Codes 37037, 37060, 37127, 37128,37153	1,428	1,582	1,698
Bedford County	323	422	524
Coffee County	305	410	517
Out of Area	108	126	144
Total	2,164	2,540	2,883

Source: CN1701-003

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 13

ECONOMIC FEASIBILITY

Project Cost

The total project cost is \$2,626,335.46. Of this amount, the major costs are as follows:

- Facility Lease-\$1,095,924.88 or 41.7% of total cost.
- MRI and CT Equipment - \$655,100 or 24.9% of total cost.
- For other details on Project Cost, see the Project Cost Chart on page 14-R (following page 39) of the original application.

Financing

MTI will fund the proposed project from existing cash reserves.

- A January 31, 2017 letter from Mark Gaw, Premier Radiology's Chief Financial Officer, is provided in the application that certifies that MTI has sufficient cash to fund the project.
- Review of Middle Tennessee Imaging, LLC and Subsidiaries audited consolidated balance sheet ending December 31, 2015 revealed cash and cash equivalents of \$3,914,116 total current assets of \$9,691,604 and current liabilities of \$8,445,002 for a current ratio of 1.15 to 1.0.

Note to Agency Members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities, which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Historical Data Chart

- As an applicant for a new ODC, the applicant has no historical data.

Projected Data Chart

Premier Radiology provided a projected data chart for MRI services and facility in total. Some of the highlights are as follows:

MRI Services

- Based on 2,164 procedures in FY2018, estimated gross operating revenue is \$4,528,035. In FY2019 based on 2,540 MRI procedures, gross operating revenue is expected to increase to \$5,314,791.
- Net operating revenue in FY2018 and FY2019 is expected to be approximately 25.1% of gross operating revenue.
- Free Cash Flow (Net Balance + Depreciation) of \$362,927 is projected for FY2018 and is expected to increase in FY2019 to \$450,232.
- Net operating margin ratios are projected to be approximately 32.6% in FY2018 and 34.4% in FY2019.

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 14

- The applicant expects to serve approximately 13 charity care patients in Year 1 and 15.2 Year 2.

Total Facility

- The applicant projects net incomes in each of the first two years after project completion.
- Net operating income projected for FY2018 is \$107,600 and \$247,195 for FY2019. Net operating margin ratios are projected to be 15.3% in FY2018 and 18.6% in FY2019.

Charges

- The applicant projects an average gross charge of \$1,640 in FY2018 and FY2019. The average deduction from gross revenue is projected to be \$1,229 in FY2018 and FY2019, resulting in a net charge of \$412, respectively.
- According to the HSDA Equipment Registry, an average gross charge of \$1,640 is below the 2015 first quartile of \$1,748 of MRI charges in Tennessee.

Medicare/TennCare Payor Mix

- The applicant participates in Medicare, TennCare, and Medicaid programs. The applicant contracts with the following TennCare MCOs: AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select.

The applicant's projected payor mix for Year 1 (FY2018) is as follows:

Payor Source	Gross Revenue	% Gross Revenue
Medicare/Medicare Managed Care	\$927,891	14.8%
TennCare/Medicaid	\$654,613	10.3%
Commercial/Other Managed Care	\$4,350,473	69.3%
Charity/Self-Pay	\$91,722	1.5%
Other	\$257,573	4.16%
TOTAL	\$6,282,271	100.0%

Source: CN1701-003

- TennCare/Medicaid-2018 projected revenue is \$654,613 representing 10.3% of total revenue in Year 1.
- Medicare-The applicant expects \$927,891 in Medicare revenue representing 14.8% of total gross revenue in Year 1.
- Managed Care/Commercial combined is projected to total \$4,350,473 or 69.3% of total revenue.

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 15

PROVIDE HEALTHCARE THAT MEETS APPROPRIATE QUALITY STANDARDS

Licensure

- If approved, MTI's new proposed new Salem facility will be licensed by the Tennessee Department of Health as an ODC.

Certification

- MTI is Medicare and TennCare/Medicaid certified.

Accreditation

- MTI is accredited by the American College of Radiology.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE

Agreements

- On page 52 of the application MTI lists over 25 active managed care contracts.
- The applicant expects to have an emergency transfer agreement with St. Thomas Hospital Rutherford.

Impact on Existing Providers

- The applicant states that the proposed project is to address needed additional MRI capacity for existing patient populations and expects the proposed project to have a minimal impact on other MRI providers.

Staffing

- The applicant proposes 1.0 FTE MRI technologist and 1.0 FTE CT technologist in Year One of the proposed project.

Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, pending applications, or outstanding Certificates of Need for this applicant.

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 16

Denied Projects

Middle Tennessee Imaging, LLC d/b/a Premier Radiology, CN1605-016D, was denied at the October 26, 2016 Agency meeting for the establishment of an outpatient diagnostic center (ODC), acquisition of fixed magnetic resonance imaging (MRI) equipment, and the initiation of MRI services at 980 Professional Park Drive, Suite E in Clarksville (Montgomery County). The estimated cost was **\$941,648.00**. *Reason for Denial: The application did not meet the statutory criteria. The imaging service is located in Clarksville (Montgomery County); there was not an opportunity to examine the need of the other 19 counties in the service area.*

Note: Saint Thomas Health has a financial interest in the proposed project and the following.

Saint Thomas Midtown Hospital (Emergency Department at Brentwood), CN1412-049D, was denied at the March 25, 2015 Agency meeting for the establishment of a satellite emergency department facility with 8 treatment rooms at 791 Old Hickory Boulevard, Brentwood (Davidson County), TN. The facility was planned to be physically connected to Premier Radiology. The estimated project cost was **\$6,757,172.00**. *Reason for Denial: The application did not meet the statutory criteria. The decision was reached following consideration of the written report of the Department of Health/Office of Health Policy, the State Health Plan, the general criteria established by Health Services and Development Agency rules, and all evidence presented in the application.*

Outstanding Certificates of Need

Providence Surgery Center, CN1608-031A has an outstanding Certificate of Need that will expire on February 1, 2019. The project was approved at the December 14, 2016 Agency meeting for the conversion of an existing ambulatory surgical treatment center (ASTC), which is limited to orthopedic and pain procedures, to a multi-specialty ASTC located at 5002 Crossing Circle, Suite 110, Mount Juliet (Wilson County), TN 37122. The ASTC will include two operating rooms and one procedure room that will be re-designated as part of the proposed multi-specialty ASTC. The estimated project cost is **\$235,387**. *Project Status: The project was recently approved.*

Baptist Plaza Surgicare, CN1307-029AM, has an outstanding Certificate of Need which will expire on June 30, 2017. The project was approved at the October 23, 2013 Agency meeting for the relocation and replacement of the existing ASTC from 2011 Church Street Medical Plaza I Lower Level, Nashville (Davidson County) to the northeast corner of the intersection of Church Street and 20th Avenue North Nashville (Davidson County). The facility will be constructed in approximately

MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY

CN1701-003

APRIL 26, 2017

PAGE 17

28,500 SF of rentable space in a new medical office building and will contain nine (9) operating rooms and one (1) procedure room. **Note: Modification of the project was approved at the July 23, 2014 Agency meeting. The total estimated project cost has been reduced by approximately \$10 million. The ASTC will remain in its current location at Medical Plaza 1 on the hospital campus of Saint Thomas-Midtown and relocate from the basement to a new 3rd floor addition with slightly more space. The modification is a significant change to the project's original plan to relocate to a new building constructed on the northeast corner of Church Street and 20th Avenue North near the hospital campus. The revised estimated project cost is \$19,095,948.00.** *Project Status Update: An 18 month extension was granted by the Agency at the October 28, 2015 Agency meeting. An April 5, 2017 email update from a representative of the applicant stated that the facility has been open and operating since March 13, 2017. A final project report is pending.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no Letters of Intent, denied or pending applications for similar service area entities proposing this type of service.

Outstanding Certificate of Need

United Regional Medical Center, CN1509-040A, has an outstanding Certificate of Need that will expire on March 1, 2019. The project was approved at the January 27, 2016 Agency meeting for the relocation of an existing MRI unit approved in CN0209-094A and an existing PET/CT unit approved in CN0409-089A from their current location at 1001 McArthur Street in Manchester (Coffee County) to URMCS satellite hospital campus at 481 Interstate Drive in Manchester, a distance of 3 miles. The project is the final part of the applicant's plan to consolidate all medical services at its current 481 Interstate Drive Satellite campus acquired in July 2015 (the former Manchester Medical Center) and discontinue use of all medical services at its 1001 McArthur Street Campus. The estimated project cost is **\$986,691.00**. *Project Status: The project is complete with final project report pending.*

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, HEALTH CARE THAT MEETS APPROPRIATE QUALITY STANDARDS, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME 4/6/2017

**MIDDLE TENNESSEE IMAGING, LLC D/B/A PREMIER RADIOLOGY
CN1701-003**

APRIL 26, 2017

PAGE 18

LETTER OF INTENT



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsga

Phone: 615-741-2364

Fax: 615-741-9884

20

JAN 10 '17 PM 12

JAN 13 '17 PM 2

LETTER OF INTENT

The Publication of Intent is to be published in the The Tennessean which is a newspaper
(Name of Newspaper)
of general circulation in Rutherford and surrounding, Tennessee, on or before 01/10, 2017
(County) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Middle Tennessee Imaging, LLC d/b/a Premier Radiology, an existing outpatient diagnostic center (ODC) provider,
(Name of Applicant) (Facility Type-Existing)

owned by: Middle Tennessee Imaging, LLC with an ownership type of limited liability company
and to be managed by: PhyData, LLC intends to file an application for a Certificate of Need

for [PROJECT DESCRIPTION BEGINS HERE]: the establishment of a new ODC, the initiation of MRI and CT services, and the acquisition of a fixed 1.5T MRI unit and a fixed 16-slice CT unit, all at 2723 New Salem Highway in Murfreesboro, TN, 37128 (Rutherford County). The proposed project supports Middle Tennessee Imaging, LLC's x-ray, mammography and ultrasound services at the Saint Thomas Health - New Salem primary care site. As part of the project, 726 square feet of medical office space will be renovated to house the one fixed MRI and one fixed CT units. Total project costs are estimated to be \$1,311,471.96.

The anticipated date of filing the application is: January 13, 2017

The contact person for this project is

Mark Gaw

Chief Financial Officer

who may be reached at: PhyData, LLC
(Company Name)

3024 Business Park Circle
(Address)

Goodlettsville

TN

37072

615 / 239-2039

(Signature)

(Date)

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Original Application -COPY-

Middle TN Imaging, LLC

CN1701-003

Premier
Radiology



Saint Thomas
Health

MIDDLE TENNESSEE IMAGING, LLC

D/B/A

PREMIER RADIOLOGY

**NEW SALEM
OUTPATIENT DIAGNOSTIC CENTER
MURFREESBORO, TN**

**CERTIFICATE OF NEED APPLICATION
JANUARY 2017**

**CERTIFICATE OF NEED APPLICATION****SECTION A: APPLICANT PROFILE****1. Name of Facility, Agency, or Institution**

Middle Tennessee Imaging, LLC d/b/a Premier Radiology
Name

2723 New Salem Highway
Street or Route

Rutherford
County

Murfreesboro
City

TN
State

37128
Zip Code

Website address: www.premierradiology.com

*Note: The facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.*

2. Contact Person Available for Responses to Questions

Mark Gaw
Name

Chief Financial Officer
Title

PhyData, LLC
Company Name

mark.gaw@phydata.com
Email address

3024 Business Park Circle
Street or Route

Goodlettsville
City

TN
State

37072
Zip Code

Manager
Association with Owner

615-239-2039
Phone Number

615-296-9944
Fax Number

NOTE: **Section A** is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on **8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response.** All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). **Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.**

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

RESPONSE: Middle Tennessee Imaging, LLC (MTI) d/b/a Premier Radiology (Premier) operates outpatient imaging centers in the metro Nashville area. MTI proposes the establishment of a new ODC, the initiation of MRI and CT services, and the acquisition of a fixed 1.5T MRI unit and a fixed 16-slice CT unit, all at 2723 New Salem Highway in Murfreesboro, TN, 37128 (Rutherford County). The proposed project supports MTI's x-ray, mammography and ultrasound services at the Saint Thomas Health - New Salem primary care site. As part of the project, 726 square feet of medical office space will be renovated to house the one fixed MRI and one fixed CT units.

- 2) Ownership structure;

RESPONSE: Middle Tennessee Imaging, LLC d/b/a Premier Radiology is a joint venture between Saint Thomas Health (53.86%), NOL, LLC (42.15%) and Murfreesboro Imaging Partners (3.99%). MTI was created to own and operate outpatient diagnostic centers.

- 3) Service area;

RESPONSE: MTI has two other full service imaging centers in Rutherford County – one in Murfreesboro near Saint Thomas Hospital Rutherford and another in Smyrna. The Murfreesboro facility serves five counties – Rutherford, Bedford, Cannon, Coffee and Warren. The proposed MTI New Salem facility will serve three of these counties – Rutherford, Bedford and Coffee.

- 4) Existing similar service providers;

RESPONSE: Besides the two MTI ODCs mentioned above, The Imaging Center of Murfreesboro is the third ODC providing both MRI and CT services in the service area. A fourth ODC, the Tennessee PET Scan Center, provides CT services only.

As documented later in this application, service area ODC providers of MRI and CT services have experienced rapid growth in utilization over the past three reporting years. Demand for ODC MRI and CT services is expected to grow as the service area population increases and reimbursement plans continue to shift a greater portion of healthcare costs to the patient. ODCs are not reimbursed at higher hospital

outpatient department (HOPD) rates, so patient deductibles and co-pays are less in the ODC setting.

25

Furthermore, both the Saint Thomas Health - New Salem primary care site and MTI's New Salem site were selected to deliver patient care closer to where patients live. The New Salem area is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford. Traffic between New Salem and downtown Murfreesboro is a growing concern, causing access issues to existing providers.

5) Project cost;

RESPONSE: Project costs include space lease costs of \$243,166.71 for 726 square feet over the initial 9-year, 7-month term. Total project costs are \$1,311,471.96.

6) Funding;

RESPONSE: The applicant's Chief Financial Officer has submitted a letter verifying that the project will be self-funded with existing cash-on-hand.

7) Financial Feasibility including when the proposal will realize a positive financial margin; and

RESPONSE: The project is financially feasible and will realize a positive financial margin in both its first and second years of operation.

8) Staffing.

RESPONSE: Minimal staffing is required for the project – 1.0 FTE MRI Tech, 1.0 FTE CT Tech and 1.0 FTE Support Staff (front desk).

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

RESPONSE: Both the Saint Thomas Health - New Salem primary care site and MTI's New Salem imaging site were selected to deliver patient care closer to where patients live. The New Salem area is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford. Traffic between New Salem and downtown Murfreesboro is a growing concern, causing access issues to existing providers.

The community's focus on existing infrastructure limitations and the need to improve roadways is strong evidence of the robust growth in the service area, especially in Rutherford County. In particular, New Salem Highway, the site of MTI's proposed ODC, has received significant attention because of the residential and commercial growth in the area. Please see **Tab 8** for area photographs taken December 2016.

New Salem Highway has been an infrastructure priority. The widening of the road recently received state approval and is scheduled to begin in 2018. In addition to the communities surrounding MTI's location, other areas of Rutherford County that are experiencing unprecedented growth and the need for infrastructure and roadway development include Smyrna and other areas of Murfreesboro. Further evidence of area growth are references in newspaper articles about roadway development to new public schools that are being constructed in Rutherford County, including a middle school that is scheduled to open in August 2017, an elementary school in August 2018 and a Rockvale High School in 2019. Please see **Tab 9** for articles discussing the traffic and growth challenges in the area.

Service area ODC providers of MRI and CT services have experienced rapid growth in utilization over the past three reporting years. Demand for ODC MRI and CT services is expected to grow as the service area population increases and reimbursement plans continue to shift a greater portion of healthcare costs to the patient. ODCs are not reimbursed at higher hospital outpatient department (HOPD) rates, so patient deductibles and co-pays are less in the ODC setting.

2) Economic Feasibility;

RESPONSE: Project costs include space lease costs of \$243,166.71 for 726 square feet over the initial 9-year, 7-month term. Total project costs, including the 1.5T MRI unit and the 16-slice CT unit, are \$1,311,471.96. The applicant's Chief Financial Officer has submitted a letter verifying that the project will be self-funded with existing cash-on-hand. The project is financially feasible and will realize a positive financial margin in both its first and second years of operation. Only minimal staffing is required for the project – 1.0 FTE MRI Tech, 1.0 FTE CT Tech and 1.0 FTE Support Staff (front desk).

3) Appropriate Quality Standards; and

RESPONSE: Like MTI's other existing ODCs, the MTI-New Salem ODC will be licensed by the Tennessee Department of Health. The MRI and CT units will be accredited by the American College of Radiology.

4) Orderly Development to adequate and effective health care.

RESPONSE: BothService area ODC providers of MRI and CT services have experienced rapid growth in utilization over the past three reporting years. Demand for ODC MRI and CT services is expected to grow as the service area population increases and reimbursement plans continue to shift a greater portion of healthcare costs to the patient. ODCs are not reimbursed at higher hospital outpatient department (HOPD) rates, so patient deductibles and co-pays are less in the ODC setting.

As detailed later in this application, MTI's proposal to develop an ODC and establish MRI and CT services in Saint Thomas Health-New Salem's primary care center will have a positive impact on the delivery of high tech imaging services for the residents of southern Rutherford County, Bedford County and Coffee County. Based on statewide use rates, MTI-New Salem's service area has limited access to high tech imaging services, especially MRI services. MTI's project will increase the availability of MRI and CT services as well as improve access to these services. Because of the strong population growth that has been projected for the service area, MTI will be able to achieve sufficient volumes to meet HDSA's standards with modest market capture. In fact, the projected growth in MRIs not only supports the need for MTI's project but also allows existing, underutilized units to achieve higher volumes as well. In addition, current CT units in the area are highly utilized and are not expected to be negatively impacted by MTI-New Salem new CT service.

C. **Consent Calendar Justification**

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

RESPONSE: Not applicable, Consent Calendar is not requested.

Owner of the Facility, Agency or Institution**A.**Middle Tennessee Imaging, LLC (MTI)

Name

615-986-6163

Phone Number

28 White Bridge Pike, Suite 111

Street or Route

Davidson

County

Nashville

City

TN

State

37205

Zip Code

B. Type of Ownership of Control (Check One)

A. Sole Proprietorship _____

B. Partnership _____

C. Limited Partnership _____

D. Corporation (For Profit) _____

E. Corporation (Not-for-Profit) _____

F. Government (State of TN or Political Subdivision) _____

G. Joint Venture _____

H. Limited Liability Company _____

I. Other (Specify) _____

X

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **Attachment Section A-4A.**

Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest. **Please see Tabs 1, 2 and 3.**

5. Name of Management/Operating Entity (If Applicable)PhyData, LLC

Name

2024 Business Park Circle

Street or Route

Sumner

County

Goodlettsville

City

TN

State

37072

Zip Code

Website address: www.phydata.com

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. Attachment Section A-5. See Tab 4.

6A. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|-----------------------|----------|--------------------|-------|
| A. Ownership | _____ | D. Option to Lease | _____ |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of 9.6 Years | <u>X</u> | | |

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. **DO NOT SUBMIT BLUEPRINTS**. Simple line drawings should be submitted and need not be drawn to scale.

1) Plot Plan **must include**:

- a. Size of site (***in acres***);

RESPONSE: 3.04 acres

- b. Location of structure on the site;
c. Location of the proposed construction/renovation; and
d. Names of streets, roads or highway that cross or border the site.

2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11 sheet of paper or as many as necessary to illustrate the floor plan.

3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3. Please see Tabs 5, 8 and 9

7. **Type of Institution** (Check as appropriate—³⁰more than one response may apply)

- | | |
|---|--|
| A. Hospital (Specify) _____ | H. Nursing Home _____ |
| B. Ambulatory Surgical Treatment _____ | I. Outpatient Diagnostic Center <u>X</u> |
| Center (ASTC), Multi-Specialty _____ | J. Rehabilitation Facility _____ |
| C. ASTC, Single Specialty _____ | K. Residential Hospice _____ |
| D. Home Health Agency _____ | L. Nonresidential Substitution- _____ |
| E. Hospice _____ | Based Treatment Center for _____ |
| F. Mental Health Hospital _____ | Opiate Addiction _____ |
| G. Intellectual Disability _____ | M. Other (Specify) _____ |
| Institutional Habilitation Facility _____ | |
| ICF/IID _____ | |

Check appropriate lines(s).

8. **Purpose of Review** (Check appropriate lines(s) – more than one response may apply)

- | | |
|---|--|
| A. New Institution <u>X</u> | F. Change in Bed Complement _____ |
| B. Modifying an ASTC with _____ | [Please note the type of change |
| limitation still required per CON _____ | by underlining the appropriate |
| C. Addition of MRI Unit <u>X</u> | response: Increase, Decrease, |
| D. Pediatric MRI <u>X</u> | Designation, Distribution, |
| E. Initiation of Health Care _____ | Conversion, Relocation] |
| Service as defined in T.C.A. _____ | G. Satellite Emergency Dept. _____ |
| §68-11-1607(4) _____ | H. Change of Location _____ |
| (Specify) _____ | I. Other (Specify) <u>Add CT Unit</u> <u>X</u> |

9. **Medicaid/TennCare, Medicare Participation**

MCO Contracts [Check all that apply]

X AmeriGroup X United Healthcare Community Plan X BlueCare X TennCare Select

Medicare Provider Number 103G706948

Medicaid Provider Number 3790913

Certification Type _____

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare XYes No N/A Medicaid/TennCare XYes No N/A

10. Bed Complement Data

31

A. Please indicate current and proposed distribution and certification of facility beds. *** NOT APPLICABLE ***

	<u>Current Licensed</u>	<u>Beds Staffed</u>	<u>Beds Proposed</u>	<u>*Beds Approved</u>	<u>**Beds Exempted</u>	<u>TOTAL Beds at Completion</u>
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)						
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)						
18) Nursing Home – Licensed (non-certified)						
19) ICF/IID						
20) Residential Hospice						
TOTAL						

*Beds approved but not yet in service

**Beds exempted under 10% per 3 year provision

RESPONSE: Not applicable.

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

RESPONSE: Not applicable.

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.

<u>CON Number(s)</u>	<u>CON Expiration Date</u>	<u>Total Licensed Beds Approved</u>

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: *NOT APPLICABLE*****

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Mauzy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

12. Square Footage and Cost Per Square Footage Chart

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
MRI/CT	N/A	-0-	N/A	Suite 101	726	-0-	726
Unit/Department GSF Sub-Total	N/A	-0-	N/A	Suite 101	726	-0-	726
Other GSF Total							
Total GSF	N/A	-0-	N/A	Suite 101	726	-0-	726
*Total Cost					\$223,205.25	-0-	\$223,205.25
**Cost Per Square Foot					\$307.45	-0-	\$307.45
Cost per Square Foot Is Within Which Range (For quartile ranges, please refer to the Applicant’s Toolbox on www.tn.gov/hsda) RESPONSE: Data not available for ODCs					<input type="checkbox"/> Below 1 st Quartile	<input type="checkbox"/> Below 1 st Quartile	<input type="checkbox"/> Below 1 st Quartile
					<input type="checkbox"/> Between 1 st and 2 nd Quartile	<input type="checkbox"/> Between 1 st and 2 nd Quartile	<input type="checkbox"/> Between 1 st and 2 nd Quartile
					<input type="checkbox"/> Between 2 nd and 3 rd Quartile	<input type="checkbox"/> Between 2 nd and 3 rd Quartile	<input type="checkbox"/> Between 2 nd and 3 rd Quartile
					<input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Above 3 rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator 34

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or

RESPONSE: GE 1.5T MRI HDxt

2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

RESPONSE: Not applicable.

A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____	Types:	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____
	Total Cost*:	<input type="checkbox"/> By Purchase	<input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____	
<input checked="" type="checkbox"/> MRI	Tesla: <u>1.5</u>	Magnet:	<input type="checkbox"/> Breast <input type="checkbox"/> Extremity <input type="checkbox"/> Open <input type="checkbox"/> Short Bore <input type="checkbox"/> Other _____
	Total Cost*:	<input checked="" type="checkbox"/> By Purchase	<input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) <u>TBD</u>	
<input type="checkbox"/> PET	<input type="checkbox"/> PET only <input type="checkbox"/> PET/CT <input type="checkbox"/> PET/MRI	<input type="checkbox"/> By Purchase	<input type="checkbox"/> By Lease Expected Useful Life (yrs) _____
	Total Cost*:	<input type="checkbox"/> If not new, how old? (yrs) _____	
<input type="checkbox"/> New	<input type="checkbox"/> Refurbished		

* As defined by Agency Rule 0720-9-.01(13)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

RESPONSE: Please see Tab 7.

- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

RESPONSE: Not applicable.

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)	Monday through Friday	8 am – 5 pm
Mobile Locations (Applicant)		
(Name of Other Location)		
(Name of Other Location)		

E. Identify the clinical applications to be provided that apply to the project.

RESPONSE: The fixed MRI unit will be used for the following clinical applications:

- Musculoskeletal imaging,
- Body and breast imaging,
- Cardiac imaging,
- Neuro imaging and
- Vascular imaging.

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

RESPONSE: Not applicable.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. **If a question does not apply to your project, indicate "Not Applicable (NA)."**

QUESTIONS

NEED

1. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

RESPONSE: Under the "*Tennessee Health: Guidelines for Growth*" there are three sets of criteria applicable to the proposed project:

- Outpatient Diagnostic Centers
- Construction, Renovation, Expansion & Replacement of Health Care Institutions and
- Magnetic Resonance Imaging (MRI).

OUTPATIENT DIAGNOSTIC CENTERS

1. The need for outpatient diagnostic services shall be determined on a county by county basis (with data presented for contiguous counties for comparative purposes) and should be projected four years into the future using available population figures.

RESPONSE: See the sections, below, describing the need for the MRI and CT services which will be offered in the ODC proposed by MTI. Both the need methodologies and the results are provided on a county by county basis, for 2017 and 2021.

2. Approval of additional outpatient diagnostic services will be made only when it is demonstrated that existing services in the applicant's geographical service area are not adequate and/or there are special circumstances that require additional services.

RESPONSE: See the sections, below, describing the need for the MRI and CT services which will be offered in the ODC proposed by MTI. Both the need methodologies and the results are provided on a county by county basis, for 2017 and 2021.

3. Any special needs and circumstances: 37

- a. The needs of both medical and outpatient diagnostic facilities and services must be analyzed.

RESPONSE: See the sections, below, describing the need for the MRI and CT services which will be offered in the ODC proposed by MTI.

- b. Other special needs and circumstances, which might be pertinent, must be analyzed.

RESPONSE: See the sections, below, describing the need for the MRI and CT services which will be offered in the ODC proposed by MTI. Special needs and circumstances include high utilization of existing providers, rapid population growth, traffic congestion adversely impacting patient access and the provision of lower cost ODC services compared to higher cost hospital outpatient department (HOPD) rates.

- c. The applicant must provide evidence that the proposed diagnostic outpatient services will meet the needs of the potential clientele to be served.

1. The applicant must demonstrate how emergencies within the outpatient diagnostic facility will be managed in conformity with accepted medical practice.

RESPONSE: As with MTI's existing ODC operations, a physician will be present whenever patients are receiving diagnostic services and technologists will be trained to handle emergency situations. A crash cart, stocked with appropriate emergency equipment and medications, will be maintained at all times. Hospital transfer agreements will be maintained with Saint Thomas Hospital Rutherford.

2. The applicant must establish protocols that will assure that all clinical procedures performed are medically necessary and will not unnecessarily duplicate other services.

RESPONSE: As an existing ODC provider of MRI and CT services, existing policies regarding medical necessity and medical appropriateness will be maintained.

CONSTRUCTION, RENOVATION, EXPANSION & REPLACEMENT OF
HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

RESPONSE: MTI acknowledges this statement and has provided responses to the MRI standards.

2. For relocation or replacement of an existing licensed health care institution:
 - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.
 - b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

RESPONSE: Not applicable. The MTI project does not include the relocation or replacement of an existing licensed health care institution.

3. For renovation or expansions of an existing licensed health care institution:
 - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

RESPONSE: See the sections, below, describing the need for the MRI and CT services which will be offered in the ODC proposed by MTI.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

RESPONSE: The proposed MRI and CT space is "first generation" space in a newly completed medical office building. In other words, it has never been finished or built out for tenant occupancy.

MAGNETIC RESONANCE IMAGING (MRI)

1. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

RESPONSE: MTI-New Salem is projected to meet each of these criteria. Please see the text following this section for narrative with calculations and exhibits.

- b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

RESPONSE: Not applicable. MTI is not seeking a new non-Specialty mobile MRI service.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

RESPONSE: Not applicable. MTI is not seeking an exception.

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

RESPONSE: Not applicable. MTI is not proposing a mobile MRI unit.

- e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with another medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

RESPONSE: Not applicable. MTI is not proposing a hybrid MRI unit.

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the

specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).⁴⁰

RESPONSE: MTI-New Salem is projected to meet this criterion. The proposed location is accessible to approximately 95% of the Service Area's population. No non-Tennessee counties are included. Please see the text following this section for narrative with calculations and exhibits.

3. **Economic Efficiencies.** All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

RESPONSE: MTI-New Salem provides lower cost technologies. The proposed MRI (and CT) unit will supplement these other technologies. At a cost of only \$445,000, MTI's proposed 1.5T GE MRI unit represents very affordable and high quality technology.

4. **Need Standard for non-Specialty MRI Units.**

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

RESPONSE: ODC MRI providers exceed this criterion. Please see the text following this section for narrative with calculations and exhibits.

5. **Need Standards for Specialty MRI Units.**

RESPONSE: Not applicable. This project does not involve any Specialty MRI Units.

6. **Separate Inventories for Specialty MRI Units and non-Specialty MRI Units.** If data availability permits, Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

RESPONSE: Historical MRI utilization is provided in the text following this section, with calculations and exhibits.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

RESPONSE: Documentation of FDA approval for the GE 1.5T MRI unit is provided at **Tab 12.**

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

RESPONSE: Documentation from the architect confirming compliance with applicable codes and licensing regulations is provided at **Tab 13.**

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

RESPONSE: A physician will be present whenever patients are receiving diagnostic services and technologists will be trained to handle emergency situations. A crash cart, stocked with appropriate emergency equipment and medications, will be maintained at all times. Existing hospital transfer agreements will be maintained.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

RESPONSE: As an existing MRI service, existing policies regarding medical necessity and medical appropriateness will be maintained.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

RESPONSE: MTI's MRI unit will be accredited by the American College of Radiology. Accreditation shall be maintained, including staffing recommendations and requirements, and staff education and training programs.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

RESPONSE: MTI's MRI unit will be accredited by the American College of Radiology.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

RESPONSE: Hospital transfer agreements will be maintained with Saint Thomas Hospital Rutherford. A physician will be present whenever patients are receiving diagnostic services and technologists will be trained to handle emergency situations. A crash cart, stocked with appropriate emergency equipment and medications, will be maintained at all times. Hospital medical staff appointments are provided at **Tab 14**. The medical director will be an active member of the subject transfer agreement hospital medical staff.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

RESPONSE: The applicant will continue to submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

Response: This project qualifies for special consideration under this criterion. According to <https://datawarehouse.hrsa.gov>, the entire service area or parts of Rutherford County, Bedford County and Coffee County in Tennessee are medically underserved areas.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Response: This project does not qualify for special consideration under this criterion.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

Response: This project qualifies for special consideration under this criterion. The applicant contracts with four TennCare MCOs and participates in the Medicare program.

- d. Who is proposing to use the MRI unit⁴³ for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

Response: This project does not qualify for special consideration under this criterion.

Background

Saint Thomas Health will open a new primary care center on March 1, 2017. The center will be located in a newly constructed medical office building at 2723 New Salem Highway in Murfreesboro (Rutherford County).

Both the Saint Thomas Health - New Salem primary care site and MTI's New Salem imaging site were selected to deliver patient care closer to where patients live. The New Salem area is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford. Traffic between New Salem and downtown Murfreesboro is a growing concern, causing access issues to existing providers.

The community's focus on existing infrastructure limitations and the need to improve roadways is strong evidence of the robust growth in the service area, especially in Rutherford County. In particular, New Salem Highway, the site of MTI's proposed ODC, has received significant attention because of the residential and commercial growth in the area. Please see **Tab 8** for area photographs taken December 2016.

New Salem Highway has been an infrastructure priority. The widening of the road recently received state approval and is scheduled to begin in 2018. In addition to the communities surrounding MTI's location, other areas of Rutherford County that are experiencing unprecedented growth and the need for infrastructure and roadway development include Smyrna and other areas of Murfreesboro. Further evidence of area growth are references in newspaper articles about roadway development to new public schools that are being constructed in Rutherford County, including a middle school that is scheduled to open in August 2017, an elementary school in August 2018 and a Rockvale High School in 2019. Please see **Tab 9** for articles discussing the traffic and growth challenges in the area.

Saint Thomas Health - New Salem will offer a number of important health services to the community including:

- Primary Care
- Physical Therapy
- Laboratory Services
- ExpressCare, a Walk-in and Same-Day Appointment Clinic
- Extended Hours, including evenings and Saturdays

Providers scheduled to staff the center include four family practice providers and three internal medicine providers. Please see the following list:

Saint Thomas Health - New Salem Physicians and Providers

Provider	Specialty
James Rand Haynes, II, MD	Family Practice
Allison Kellerman, NP	Family Practice
Erika Marie Silberman, DO	Family Practice
Thomas J. Walsh, DO	Family Practice
Steven J. Payne, MD	Internal Medicine
Anita Pinkston, PA-C	Internal Medicine
Frank D. Warren, PA-C, MPAS	Internal Medicine

Source: Saint Thomas Health

To support these physicians and their patients, as well as other physicians and residents of the community, Middle Tennessee Imaging, LLC ("MTI") d/b/a Premier Radiology will provide imaging services for Saint Thomas Health - New Salem including x-ray, mammography and ultrasound services. These services will be available when the center opens in February. In addition, to complement the range of imaging modalities that will be available at the center (x-ray, mammography and ultrasound), MTI is proposing to develop a new outpatient diagnostic center ("ODC"), which will provide onsite MRI and CT services. As part of its proposed ODC project, MRI will acquire a fixed MRI and a fixed CT and will renovated approximately 726 square feet of additional space in the medical office building. MTI estimates that the total costs for this project will be approximately \$1,311,471.96.

MTI's Imaging Services in Murfreesboro

MTI operates one ODC in Murfreesboro ("MTI-Murfreesboro"), which is located in a medical office building at 1840 Medical Center Parkway on the campus of Saint Thomas Rutherford Hospital. Primarily, MTI's existing Murfreesboro center serves the physicians on the Saint Thomas Rutherford Hospital campus and their patients, providing a range of imaging services, including MRI (2 units) and CT (1 unit) services. The Murfreesboro center is approximately five miles from the Saint Thomas Health-New Salem primary care center. Almost 60 percent of MTI-Murfreesboro patient's are residents of Murfreesboro. Please see the following:

MTI-Murfreesboro Patient Origin

Zip	City	County	Percent of Total	Cumulative Percent
37129	Murfreesboro	Rutherford	18.0%	18.0%
37130	Murfreesboro	Rutherford	17.7%	35.8%
37128	Murfreesboro	Rutherford	16.2%	52.0%
37127	Murfreesboro	Rutherford	6.2%	58.2%
37355	Manchester	Coffee	4.3%	62.5%
37160	Shelbyville	Bedford	3.8%	66.3%
37167	Smyrna	Rutherford	3.8%	70.0%
37110	McMinnville	Warren	2.7%	72.8%
37037	Christiana	Rutherford	2.6%	75.4%
37190	Woodbury	Cannon	2.2%	77.6%
37153	Rockvale	Rutherford	1.8%	79.4%
37085	Lascassas	Rutherford	1.6%	81.0%
Others			19.0%	100.0%
Total			100.0%	100.0%

Note: Includes patient data from 1/1/2016 through 11/30/2016

Source: MTI

MTI-Murfreesboro has experienced strong utilization of its MRI service, which over the past 12 months accounted for 7,223 procedures or 3,612 procedures per MRI unit. Based on the Health Services Development Agency's ("HSDA") capacity standard of 3,600 procedures per MRI unit, MTI-Murfreesboro operated at 100.3 percent of capacity. Please see the following:

MTI-Murfreesboro MRI Volume

Date	MRI Procedures
11/2015	525
12/2015	535
1/2016	459
2/2016	595
3/2016	681
4/2016	643
5/2016	586
6/2016	610
7/2016	568
8/2016	697
9/2016	682
10/2016	642
Total	7,223
MRI Units	2
Procedures per Unit	3,612
HSDA Capacity Standard per Unit	3,600
Percent of Capacity	100.3%

Source: MTI

Similarly, MTI-Murfreesboro's CT scanner has operated at a high utilization, accounting for almost 6,000 procedures over the past 12 months, which based on an industry capacity standard of 6,000 procedures per unit, indicates that the unit is operating almost 100 percent of capacity. Please see the following:

MTI-Murfreesboro CT Volume

Date	CT Procedures
11/2015	379
12/2015	476
1/2016	388
2/2016	501
3/2016	585
4/2016	460
5/2016	489
6/2016	547
7/2016	487
8/2016	607
9/2016	515
10/2016	525
Total	5,959
CT Units	1
Procedures per Unit	5,959
Capacity Standard per Unit	6,000
Percent of Capacity	99.3%

Source: MTI

Market Share Assumptions

County/Zip Code	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
Rutherford zip codes	17.5%	19.0%	20.0%
Bedford	7.0%	9.0%	11.0%
Coffee	6.0%	8.0%	10.0%

Note: Includes Rutherford County zip codes 37037, 37060, 37127, 37128 and 37153

In summary, based on projected population in the service area, achievement of the statewide use rate for MRI procedures (89.4 per 1,000) and anticipated market capture, MTI-New Salem will be able to achieve the following volumes for 2018, 2019 and 2020:

MTI-New Salem MRI Volume Projections

County/Zip Code	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
Rutherford zip codes	1,428	1,582	1,698
Bedford	323	422	524
Coffee	305	410	517
Out of Area	108	126	144
Total	2,164	2,540	2,883
HDSA Target	2,160	2,520	2,880

Note: Includes Rutherford County zip codes 37037, 37060, 37127, 37128 and 37153

MTI-New Salem can achieve its volume projections solely from incremental MRI growth in the service area. From 2017 to 2021, the service area will account for almost 3,800 incremental MRI procedures, significantly more than MTI-New Salem's Year 3 projection of 2,883 procedures. Therefore, the impact of the proposed project on existing MRI providers should be minimal. In fact, if the projected incremental MRI procedures for the entire population of Rutherford, Bedford and Coffee counties are considered, 9,417 MRIs, there is sufficient volume for MTI-New Salem's project as well as for existing underutilized MRI providers to achieve higher volumes.

Please refer to the following three exhibits for detailed volume projections for Year 1, Year 2 and Year 3.

Year 1 (2018) MTI-New Salem MRI Volume Projections

County/Zip Code	2018 Pop	2015 Use Rate	2021 MRIs	Projected Market Share	Incremental MRIs
Rutherford					
37037	7,875	89.4	704		
37060	2,739	89.4	245		
37127	18,102	89.4	1,618		
37128	56,807	89.4	5,079		
37153	5,753	89.4	514		
PSA Subtotal	91,276	89.4	8,160	17.5%	1,428
Bedford	51,659	89.4	4,618	7.0%	323
Coffee	56,894	89.4	5,086	6.0%	305
SSA Subtotal	108,553	89.4	9,704		628
Out of Area (5%)					108
Year 1 MRI Total					2,164

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data
Sources: TN DOH Population Statistics and Nielson

Year 2 (2019) MTI-New Salem MRI Volume Projections

	<u>2019 Pop</u>	<u>2015 Use Rate</u>	<u>2021 MRIs</u>	<u>Projected Market Share</u>	<u>Incremental MRIs</u>
Rutherford					
37037	8,019	89.4	717		
37060	2,782	89.4	249		
37127	18,412	89.4	1,646		
37128	58,040	89.4	5,189		
37153	5,856	89.4	524		
PSA Subtotal	93,109	89.4	8,325	19.0%	1,582
Bedford	52,486	89.4	4,692	9.0%	422
Coffee	57,369	89.4	5,129	8.0%	410
SSA Subtotal	109,855	89.4	9,821		832
Out of Area (5%)					126
Year 2 MRI Total					2,540

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data
Sources: TN DOH Population Statistics and Nielson

Year 3 (2020) MTI-New Salem MRI Volume Projections

	<u>2020 Pop</u>	<u>2015 Use Rate</u>	<u>2021 MRIs</u>	<u>Projected Market Share</u>	<u>Incremental MRIs</u>
Rutherford					
37037	8,166	89.4	730		
37060	2,826	89.4	253		
37127	18,727	89.4	1,674		
37128	59,300	89.4	5,301		
37153	5,961	89.4	533		
PSA Subtotal	94,980	89.4	8,491	20.0%	1,698
Bedford	53,326	89.4	4,767	11.0%	524
Coffee	57,848	89.4	5,172	10.0%	517
SSA Subtotal	111,174	89.4	9,939		1,041
Out of Area (5%)					144
Year 3 MRI Total					2,883

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data
Sources: TN DOH Population Statistics and Nielson

CT Need Methodologies and Results

MTI has projected the CT volume for its New Salem center based on its historical ratio of CT to MRI procedures. Historically, MTI's CT volume has accounted for approximately 77 percent of its MRI volume. Assuming that this ratio holds for its New Salem center, MTI anticipates the following CT volumes for Year 1, Year 2, and Year 3:

MTI-New Salem CT Volume Projections

	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
Projected MRIs	2,164	2,540	2,883
MTI Ratio of CT to MRI	.77	.77	.77
Projected CTs	1,666	1,956	2,220

Existing CT providers are well-utilized and MTI does not expect that its New Salem CT service will have an adverse impact on any existing unit. Based on the most recent year of data (2015), there are 18 CT units in Rutherford County, Bedford County and Coffee County. In 2015, these 18 units accounted for 87,090 procedures or 4,838 procedures per unit. Using the capacity standard of 6,000 procedures per unit, these CT operated at a healthy 80.6 percent of capacity. Please see the following exhibit:

2015 Area-wide CT Utilization

County	Facility	Procedures	Units	% of Capacity
Rutherford	MTI Rutherford	5,262	1	87.7%
Rutherford	MTI Smyrna	1,706	1	28.4%
Rutherford	TN PET Scan Ctr LLC	7,388	1	123.1%
Rutherford	The Image Ctr. Of Murfreesboro	2,743	1	45.7%
	ODC Total	17,099	4	71.2%
Rutherford	Saint Thomas Rutherford	25,091	2	209.1%
Rutherford	TriStar Stonecrest	18,364	2	153.0%
Rutherford	Trustpoint	N/A	N/A	N/A
Bedford	Heritage M.C.	5,099	1	85.0%
Coffee	Harton Regional	9,170	2	76.4%
Coffee	United Regional Medical Ctr	2,635	1	43.9%
Coffee	MC of Manchester	1,607	1	26.8%
Coffee	Unity Medical Center	3,347	2	27.9%
	Hospital Total	65,313	11	99.0%
Rutherford	Murfreesboro Medical Clinic-Garrison Drive	4,343	2	36.2%
Rutherford	Saxena, Rishi MD	335	1	5.6%
	PO Physician Owned Total	4,678	3	26.0%
	Grand Total	87,090	18	80.6%

Source: HSDA Medical Equipment Registry

In summary, MTI's proposal to develop a ODC and establish MRI and CT services in Saint Thomas Health-New Salem's primary care center will have a positive impact on the delivery of high tech imaging services for the residents of southern Rutherford County, Bedford County and Coffee County. Based on statewide use rates, MTI-New Salem's service area has limited access to high tech imaging services, especially MRI services. MTI's project will increase the availability of MRI and CT services as well as improve access to these services. Because of the strong population growth that has been projected for the service area, MTI will be able to achieve sufficient volumes to meet HDSA's standards with modest market capture. In fact, the projected growth in MRIs not only supports the need for MTI's project but also allows existing, underutilized units to achieve higher volumes as well. In addition, current CT units in the area are highly utilized and are not expected to be negatively impacted by MTI-New Salem new CT service.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

RESPONSE: MTI's long-range plan is to assure the availability in Middle Tennessee of cost-effective outpatient imaging services in patient-friendly, dedicated facilities. MTI believes that a network of such facilities operated and managed in a coordinated fashion will result in the optimum use of resources, and will be a key component in future models of health care that contemplate broad provider integration.

This project is also consistent with the Five Principles for Achieving Better Health as articulated in the State Health Plan.

1. **Healthy Lives.** This project will improve the health of Tennesseans by expanding access to MRI and CT services.
 2. **Access to Care.** This project will improve access to MRI and CT services in a high population growth area with increasing traffic problems.
 3. **Economic Efficiencies.** At a cost of only \$445,000, MTI's proposed 1.5T GE MRI unit represents very affordable and high quality technology. Similarly, MTI's 16-slice CT scanner is a very affordable \$205,000.
 4. **Quality of Care.** MTI's proposed 1.5T GE MRI unit and 16-slice GE CT unit represent very affordable and high quality technology.
 5. **Health Care Workforce.** Only three FTEs (two clinical) are needed to implement the project.
3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment Section B - Need-3.**

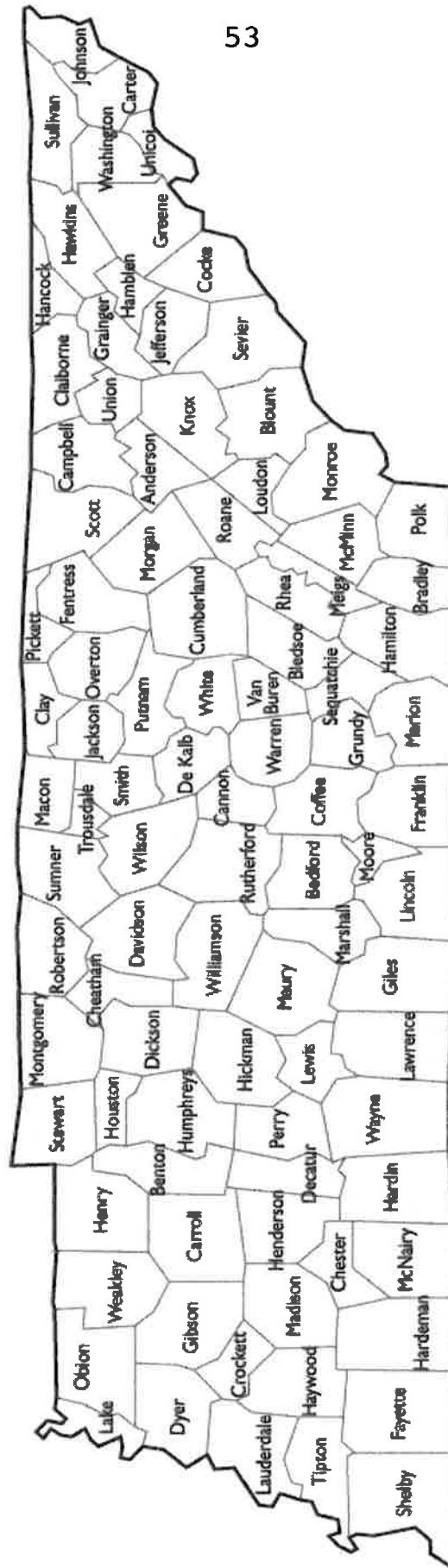
Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1	Not Applicable	
County #2		
Etc.		
Total		100%

Service Area Counties	Projected Utilization-County Residents (Year 2)	% of total procedures
Rutherford	2,653	59%
Bedford	809	18%
Coffee	809	18%
Total	4,271 + 225 Other = 4,496 Scans	95% + 5% Other = 100%

RESPONSE: Based on historical patient origi⁵² data for MTI's Murfreesboro and Smyrna ODCs, MTI's New Salem service area for this project is comprised of three counties. This three county area represents approximately 95% of MTI-New Salem's MRI and CT procedures. Please see **Attachment C, Need – 1 (Tab 11)** for service area maps.

County Level Map



4. A. 1) Describe the demographics of the population to be served by the proposal.

RESPONSE: MTI-New Salem's service area has a projected 2017 population of 196,748. From 2017 to 2021, the overall service area will grow by approximately 12,651 residents, a 1.6 percent annual growth rate, reaching 209,399 total residents. The PSA (Rutherford County zip codes) is projected to have especially strong growth, 2.0 percent annually. By comparison, the state will grow by a projected 1.0 percent annually. Please see the following analysis

Projected 2017 - 2021 Total Population

	2017	2021	Annual % Change	Absolute Change
PSA				
Rutherford				
37037	7,733	8,316	1.8%	583
37060	2,697	2,871	1.6%	174
37127	17,798	19,047	1.7%	1,249
37128	55,600	60,589	2.2%	4,989
37153	5,652	6,067	1.8%	415
PSA Subtotal	89,480	96,890	2.0%	7,410
SSA				
Bedford	50,845	54,178	1.6%	3,333
Coffee	56,423	58,331	0.8%	1,908
SSA Subtotal	107,268	112,509	1.2%	5,241
PSA + SSA	196,748	209,399	1.6%	12,651
Tennessee	6,887,572	7,181,236	1.0%	293,664

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data
Sources: TN DOH Population Statistics and Nielson

The senior population (65 years of age and older) in the service area is growing at an even faster rate than the total population. The growth in the senior population is significant given that seniors utilize healthcare resources (including imaging services such as MRI and CT) at a higher rate than younger age groups. Projections indicate that between 2017 and 2021, the senior population will grow from 27,658 residents to 32,750 residents, an increase of 5,092 seniors, representing a 4.3 percent annual increase. Moreover, seniors will account for over 40 percent of the service area's population growth between 2017 and 2021. Again, a significant portion of the growth in the senior population will be in the PSA, which will grow by a projected 5.9 percent annually.

Projected 2017 - 2021 65+ Population

	2017	2021	Annual % Change	Absolute Change
PSA				
Rutherford				
37037	880	1,105	5.9%	225
37060	418	503	4.7%	85
37127	2,283	2,800	5.2%	517
37128	4,867	6,190	6.2%	1,323
37153	685	873	6.3%	188
PSA Subtotal	9,133	11,471	5.9%	2,338
SSA				
Bedford	7,993	9,299	3.9%	1,306
Coffee	10,532	11,980	3.3%	1,448
SSA Subtotal	18,525	21,279	3.5%	2,754
PSA + SSA	27,658	32,750	4.3%	5,092
Tennessee	1,133,025	1,314,674	3.8%	181,649

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data
Sources: TN DOH Population Statistics and Nielson

- 2) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population-Current Year	Total Population-Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
County A													
County B, etc.													
Service Area Total													
State of TN Total													

* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

56

RESPONSE: Please see **Tab 15** to view the completed table.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: MTI provides services without regard to gender, race, socio-economic status, or ability to pay, and participates in the Medicare and TennCare programs.

5. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

RESPONSE: See need section, above, for utilization rates.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE: Please see the need section, above, for MTI's historical and projected volumes for MRI and CT services. Assumptions are provided in the accompanying text.

In addition, MTI-Murfreesboro received MRI/CT referrals from 1,107 physicians in 2016. MTI-Smyrna received MRI/CT referrals from 850 physicians in 2016. Of these, 503 physicians referred to both MTI facilities. MTI-New Salem is expected to draw referrals from this same base of physicians.

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - A. All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)
 - B. The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
 - C. The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - D. Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.
 - E. For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
 - 1) A general description of the project;
 - 2) An estimate of the cost to construct the project;
 - 3) A description of the status of the site's suitability for the proposed project; and
 - 4) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

RESPONSE: Project costs include space lease costs of \$243,166.71 for 726 square feet over the initial 9-year, 7-month term.

The MRI and CT equipment will be purchased used, as opposed to new. The specific pieces of equipment will depend upon the available inventory after Agency approval. There are no service contract costs anticipated. Per MTI policy, all maintenance required will be funded through operations as needed.

Please see the vendor quotations for the equipment to be purchased in **Attachment B, II.E.3 (Tab 7)**.

Please see **Attachment C, Need – 1 (Tab 13)** for a letter from the contractor supporting the construction costs.

58
PROJECT COST CHART

January 31, 2017
2:11 pm

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	\$ 50,000.00
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	100,000.00
3. Acquisition of Site	-
4. Preparation of Site	-
5. Total Construction Costs*	391,745.17
6. Contingency Fund	-
7. Fixed Equipment (Not included in Construction Contract)	655,100.00
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)**	302,669.42
9. Other (Specify) <u>Furniture</u>	25,000.00
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)***	1,095,924.88
2. Building only	-
3. Land only	-
4. Equipment (Specify) <u>N/A.</u>	
5. Other (Specify) <u>N/A.</u>	
C. Financing Costs and Fees:	
1. Interim Financing	-
2. Underwriting Costs	-
3. Reserve for One Year's Debt Service	-
4. Other (Specify) <u>N/A.</u>	
D. Estimated Project Cost (A+B+C)	2,620,439.47
E. CON Filing Fee****	15,067.53
F. Total Estimated Project Cost (D+E)	TOTAL \$ 2,635,507.00

*Base suite build out \$350,089.92 + MRI CT build out \$223,205.25 - Tenant Improvement Allow \$181,550.00 = \$391,745.17

See Supplemental 2, Attachment B

**X-Ray \$81,600.00 + Ultrasound \$72,300.00 + Mammography \$148,769.42 = \$302,669.42

See Supplemental 2, Attachments C

***Pro rata (22.2%) MRI and CT allocation increased to 100% for the entire suite

****Additional filing fee enclosed (\$67.53)

2. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. **(Documentation for the type of funding *MUST* be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-2.)**

- ☐ A. Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ D. Grants – Notification of intent form for grant application or notice of grant award;
- ☒ E. Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or **See Tabs 17 and 18.**
- ☐ F. Other – Identify and document funding from all other sources.

3. Complete Historical Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!**

Historical Data Chart represents revenue and expense information for the last *three* (3) years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

RESPONSE: Please refer to the completed charts on the following pages. As a new ODC facility, there are no historical data to report.

4. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

RESPONSE: Please refer to the completed charts on the following pages.

The Projected Data Chart reflects operations for the proposed MRI and CT units only.

Regarding the Fees to Affiliates (Line D.8.a), these represent the Management Fees paid to PhyData, LLC, under the Amended Administrative Services Agreement.

PhyData, LLC (in addition to the Administrative Services Agreement) also has a separate Billing Services Agreement with MTI. PhyData is paid 4.5% of Net Global Collections.

PhyData, LLC is the only Billing Service utilized. There is not a second outsourced Collection Agency referenced. We realize the description may have been somewhat misleading.

In addition, MTI operates a second ODC in Rutherford County that is located in Smyrna ("MTI-Smyrna"). Similar to its Murfreesboro center, the Smyrna center provides a range of imaging services, including MRI (2 units) and CT (1 unit) services. The Smyrna facility is over 17 miles from the New Salem center, serving a population that is primarily located in north Rutherford County and south Davidson County and MTI does not consider the center to be an alternative to its proposed New Salem project. Please see the following:

MTI-Smyrna Patient Origin

Zip	City	County	Percent of Total	Cumulative Percent
37167	Smyrna	Rutherford	36.1%	36.1%
37086	La Vergne	Rutherford	21.6%	57.7%
37013	Antioch	Davidson	11.0%	68.7%
37129	Murfreesboro	Rutherford	8.5%	77.2%
37018	Murfreesboro	Rutherford	3.6%	80.8%
37130	Murfreesboro	Rutherford	3.4%	84.2%
Others			15.8%	100.0%
Total			100.0%	100.0%

Note: Includes patient data from 1/1/2016 through 11/30/2016 and includes all imaging modalities

Source: MTI

MTI-New Salem Service Area

Based on existing referral patterns to MTI's Murfreesboro ODC as well as geographic proximities, the proposed service area for the proposed MTI-New Salem ODC includes the residents of five zip codes in Rutherford County and all of the residents of Bedford County and Coffee County. The Rutherford County zip codes represent the center's primary service area ("PSA"), while Bedford County and Coffee County represent its secondary service area ("SSA"). Please see **Tab 11** for a map of the service area. In addition, MTI-New Salem projects that approximately 5.0 percent of the center's patients will reside outside of the PSA and SSA. Please see the following exhibit that profiles the service area and projected patient origin:

MTI-New Salem Proposed Service Area and Approximate Patient Origin

County	Percent of Patients
PSA	
Rutherford County	
37037	
37060	
37127	
37128	
37153	
PSA Subtotal	59.0%
SSA	
Bedford County	18.0%
Coffee County	18.0%
SSA Subtotal	36.0%
Outside the Service Area	5.0%
Total	100%

Service Area Population Growth

MTI-New Salem's service area has a projected 2017 population of 196,748. From 2017 to 2021, the overall service area will grow by approximately 12,651 residents, a 1.6 percent annual growth rate, reaching 209,399 total residents. The PSA (Rutherford County zip codes) is projected to have especially strong growth, 2.0 percent annually. By comparison, the state will grow by a projected 1.0 percent annually. Please see the following analysis

Projected 2017 - 2021 Total Population

	2017	2021	Annual % Change	Absolute Change
PSA				
Rutherford				
37037	7,733	8,316	1.8%	583
37060	2,697	2,871	1.6%	174
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37128	55,600	60,589	2.2%	4,989
37153	5,652	6,067	1.8%	415
PSA Subtotal	89,480	96,890	2.0%	7,410
SSA				
Bedford	50,845	54,178	1.6%	3,333
Coffee	56,423	58,331	0.8%	1,908
SSA Subtotal	107,268	112,509	1.2%	5,241
PSA + SSA	196,748	209,399	1.6%	12,651
Tennessee	6,887,572	7,181,236	1.0%	293,664

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data
Sources: TN DOH Population Statistics and Nielson

The senior population (65 years of age and older) in the service area is growing at an even faster rate than the total population. The growth in the senior population is significant given that seniors utilize healthcare resources (including imaging services such as MRI and CT) at a higher rate than younger age groups. Projections indicate that between 2017 and 2021, the senior population will grow from 27,658 residents to 32,750 residents, an increase of 5,092 seniors, representing a 4.3 percent annual increase. Moreover, seniors will account for over 40 percent of the service area's population growth between 2017 and 2021. Again, a significant portion of the growth in the senior population will be in the PSA, which will grow by a projected 5.9 percent annually.

Projected 2017-2021 65+ Population

	2017	2021	Annual % Change	Absolute Change
PSA				
Rutherford				
37037	880	1,105	5.9%	225
37060	418	503	4.7%	85
37127	2,283	2,800	5.2%	517
37128	4,867	6,190	6.2%	1,323
37153	685	873	6.3%	188
PSA Subtotal	9,133	11,471	5.9%	2,338
SSA				
Bedford	7,993	9,299	3.9%	1,306
Coffee	10,532	11,980	3.3%	1,448
SSA Subtotal	18,525	21,279	3.5%	2,754
PSA + SSA	27,658	32,750	4.3%	5,092
Tennessee	1,133,025	1,314,674	3.8%	181,649

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data
Sources: TN DOH Population Statistics and Nielson

Service Area MRI Utilization Projections

In 2015, Rutherford County, Bedford County and Coffee County accounted for 33,497 MRI procedures or 83.7 MRIs per 1,000 population. By comparison, the use rate for the state of Tennessee was 89.4 MRI procedures per 1,000, 6.8 percent higher than the service area's use rate. The lower use rate, especially in Bedford County and Coffee County, suggests that service area residents have more limited access to MRI services and that these areas are underserved for MRI services. Please see the following:

2015 MRI Utilization and Use Rates

	Procedures	Population	Use Rate/1,000	% of State
Rutherford	25,536	298,606	85.5	95.6%
Bedford	3,778	47,185	80.1	89.6%
Coffee	4,183	54,282	77.1	86.2%
Total	33,497	400,073	83.7	93.6%
Statewide	590,347	6,600,211	89.4	

Source: Medical Equipment Registry

MTI New Salem expects that with **1)** population growth in the service area and **2)** improved access to MRI services and a concomitant increase in the area's use rate to that of the state's use rate (89.4/1,000), the number of service area MRIs will increase significantly. The projected increase in MRI procedures is expected to generate more than 9,400 additional MRI procedures by 2021, sufficient volume to accommodate approximately three MRI units. Please see the following analysis, which projects 2021 MRI volume for Rutherford County, Bedford County and Coffee County:

2021 Projected MRI Utilization

	2021 Population	2015 TN Use Rate	2021 Projected MRIs	2015 Actual MRIs	Incremental Growth
Rutherford	367,508	89.4	32,855	25,536	7,319
Bedford	54,178	89.4	4,844	3,778	1,066
Coffee	58,331	89.4	5,215	4,183	1,032
Total	480,017		42,914	33,497	9,417
Need @2,880/Unit					3.3
Need @3,600/Unit					2.6

Note: Use rate represents the 2015 Tennessee statewide MRI use rate/1,000

Sources: TN DOH Population Statistics and Medical Equipment Registry

Similarly, MTI-New Salem projects that its service area, which is also experiencing strong population growth, will also generate sufficient MRI volume to support the need for its proposed center. From 2017 to 2021, projections indicate that the service area's MRI volume will increase by 25.5 percent from 14,922 procedures to 18,721 procedures, sufficient incremental growth to support more than one MRI unit. Please see the following exhibit:

Service Area 2021 Projected MRI Volume

County/Zip Code	2021 Population	2015 TN Use Rate	2021 Projected MRIs	2015 Actual MRIs	Incremental Growth
Rutherford					
37037	8,316	89.4	743	602	141
37060	2,871	89.4	257	210	47
37127	19,047	89.4	1,703	1384	319
37128	60,589	89.4	5,417	4325	1,092
37153	6,067	89.4	542	440	102
PSA Subtotal	96,890	89.4	8,662	6,961	1,701
Bedford	54,178	89.4	4,844	3,778	1,066
Coffee	58,331	89.4	5,215	4,183	1,032
SSA Subtotal	112,509	89.4	10,059	7,961	2,098
PSA + SSA Total	209,399		18,721	14,922	3,799
Need @2,880/Unit					1.3
Need @3,600/Unit					1.1

Note: 2015 MRIs for Rutherford County zip codes represent a pro rata share of the county's 2015 MRI volume (25,536) based on the zip codes' percentage of the county's 2017 population

Note: Use rate represents the 2015 Tennessee statewide MRI use rate/1,000

Sources: TN DOH Population Statistics, Nielson, HSDA Medical Equipment Registry

MTI- New Salem Utilization Projections

MRI Services - MTI-New Salem projects, based on conservative and achievable market share assumptions, that its volumes will meet HSDA's volume standard for new MRI units. The following exhibit profiles MTI-New Salem's market share assumptions for its first three operating years:

January 31, 2017

2:17 PM Total Facility

Project Only

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 2018	Year 2019
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	2,164 Scans	2,540 Scans
B. Revenue from Services to Patients		
1. Inpatient Services	\$ -	\$ -
2. Outpatient Services	4,528,035	5,314,791
3. Emergency Services	-	-
4. Other Operating Revenue (Specify) <u>N/A.</u>	-	-
Gross Operating Revenue	\$ 4,528,035	\$ 5,314,791
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$ 3,237,545	\$ 3,800,076
2. Provision for Charity Care	27,168	31,889
3. Provisions for Bad Debt	126,785	148,814
Total Deductions	\$ 3,391,498	\$ 3,980,779
NET OPERATING REVENUE	\$ 1,136,537	\$ 1,334,012
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	96,000	98,880
b. Non-Patient Care	44,800	46,144
2. Physician's Salaries and Wages	-	-
3. Supplies	90,014	105,654
4. Rent		
a. Paid to Affiliates	12,796	13,054
b. Paid to Non-Affiliates	-	-
5. Management Fees:		
a. Paid to Affiliates	18,412	21,611
b. Paid to Non-Affiliates	-	-
6. Other Operating Expenses	504,088	589,937
Total Operating Expenses	\$ 766,110	\$ 875,280
E. Earnings Before Interest, Taxes and Depreciation	\$ 370,427	\$ 458,732
F. Non-Operating Expenses		
1. Taxes	\$ 7,500	\$ 8,500
2. Depreciation	111,421	111,421
3. Interest	-	-
4. Other Non-Operating Expenses	-	-
Total Non-Operating Expenses	\$ 118,921	\$ 119,921
NET INCOME (LOSS)	\$ 251,506	\$ 338,811

Chart Continues Onto Next Page

January 31, 2017

2:11 pm

66

NET INCOME (LOSS)

\$ 251,506

\$ 338,811

G. Other Deductions

1. Estimated Annual Principal Debt Repayment

\$ -

\$ -

2. Annual Capital Expenditure

\$ -

\$ -

Total Other Deductions

\$ -

\$ -

NET BALANCE

\$ 251,506

\$ 338,811

DEPRECIATION

\$ 111,421

\$ 111,421

FREE CASH FLOW (Net Balance + Depreciation)

\$ 362,927

\$ 450,232

☐ Total Facility☒ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

Year 2018

Year 2019

1. Professional Services Contract

\$ 16,366

\$ 19,210

2. Contract Labor

\$ -

\$ -

3. Imaging Interpretation Fees

318,230

373,524

4. Billing & Collection Fees

51,144

60,031

5. Repairs & Maintenance

57,281

67,234

6. Transportation/Meals & Entertainment

4,092

4,802

7. IT, Ins., TeleCom & Other Expenses (i.e. Utilities)

56,975

65,136

Total Other Expenses

\$ 504,088

\$ 589,937

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	<u>Year 2018</u>	<u>Year 2019</u>
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)	11,930 Scans	13,406 Scans
B. Revenue from Services to Patients		
1. Inpatient Services	\$ -	\$ -
2. Outpatient Services	9,552,271	10,971,387
3. Emergency Services	-	-
4. Other Operating Revenue (Specify) <u>N/A.</u>	-	-
Gross Operating Revenue	\$ 9,552,271	\$ 10,971,387
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$ 6,829,873	\$ 7,844,542
2. Provision for Charity Care	57,314	65,828
3. Provisions for Bad Debt	267,464	307,199
Total Deductions	\$ 7,154,651	\$ 8,217,569
NET OPERATING REVENUE	\$ 2,397,620	\$ 2,753,818
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	480,000	494,400
b. Non-Patient Care	134,400	138,432
2. Physician's Salaries and Wages	-	-
3. Supplies	189,892	218,102
4. Rent		
a. Paid to Affiliates	104,645	106,751
b. Paid to Non-Affiliates	-	-
5. Management Fees:		
a. Paid to Affiliates	38,841	44,612
b. Paid to Non-Affiliates	-	-
6. Other Operating Expenses	1,082,942	1,240,026
Total Operating Expenses	\$ 2,030,720	\$ 2,242,323
E. Earnings Before Interest, Taxes and Depreciation	\$ 366,900	\$ 511,495
F. Non-Operating Expenses		
1. Taxes	\$ 20,000	\$ 25,000
2. Depreciation	239,300	239,300
3. Interest	-	-
4. Other Non-Operating Expenses	-	-
Total Non-Operating Expenses	\$ 259,300	\$ 264,300
NET INCOME (LOSS)	\$ 107,600	\$ 247,195

Chart Continues Onto Next Page

January 31, 2017

NET INCOME (LOSS)	68	\$ 107,600	2:11 pm 247,195
G. Other Deductions			
1. Estimated Annual Principal Debt Repayment		\$ -	\$ -
2. Annual Capital Expenditure		-	-
Total Other Deductions		\$ -	\$ -
NET BALANCE		\$ 107,600	\$ 247,195
DEPRECIATION		\$ 239,300	\$ 239,300
FREE CASH FLOW (Net Balance + Depreciation)		\$ 346,900	\$ 486,495

☒ Total Facility

☐ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2018</u>	<u>Year 2019</u>
1. <u>Professional Services Contract</u>	\$ 34,526	\$ 39,655
2. <u>Contract Labor</u>	-	-
3. <u>Imaging Interpretation Fees</u>	671,334	771,069
4. <u>Billing & Collection Fees</u>	107,893	123,922
5. <u>Repairs & Maintenance</u>	120,840	138,792
6. <u>Transportation/Meals & Entertainment</u>	8,631	9,914
7. <u>IT, Ins., TeleCom & Other Expenses (i.e. Utilities)</u>	139,718	156,674
Total Other Expenses	\$ 1,082,942	\$ 1,240,026

5. A. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (<i>Gross Operating Revenue/Utilization Data</i>)	N/A	N/A	\$1,640	\$1,640	0.0%
Deduction from Revenue (<i>Total Deductions/Utilization Data</i>)	N/A	N/A	\$1,229	\$1,229	0.0%
Average Net Charge (<i>Net Operating Revenue/Utilization Data</i>)	N/A	N/A	\$412	\$412	0.0%

- B. Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

RESPONSE: The charges for services in the proposed ODC facility will be the same as the current charges at MTI's other ODCs. There is no increase anticipated for year one of the project. The net operating income from the project in the first and second year is expected to be \$1,576,849 and \$1,850,971, respectively. Representative charges for the highest volume CPT codes at this facility are as follows:

CPT Code	Procedure	Charge	Medicare Reimbursement
	<u>MRI</u>		
72148	Lumbar Spine w/o	\$1,697	\$444
72141	Neck or Spine	\$1,693	\$444
73721	Joint of Lower Extremity	\$1,862	\$472

- C. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: A comparison of the applicant's proposed charges with the Medicare allowable reimbursement is included in the table above.

For the most part, professional fees for MRI interpretation services by MTI's radiologists will be reimbursed by the applicant because most studies will be globally billed by MTI. In cases where it is required by law or contract that the professional services are billed separately, the radiologists will bill for their own services and MTI will bill for the technical component of the MRI study only. In cases where split billing is performed, the professional services agreement requires that the radiology group participate with all insurance plans that MTI accepts.

6. A. Discuss how projected utilization rates ~~will~~⁷⁰ be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-6A**. **NOTE: Publicly held entities only need to reference their SEC filings.**

RESPONSE: MTI's services proposed in this project are similar to MTI's highly utilized services in Murfreesboro and Smyrna. As indicated in the Projected Data Chart, projected utilization will be sufficient to continue to allow MTI to operate efficiently and effectively.

- B. Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	N/A	N/A	N/A	29.1%	31.3%

- C. Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

RESPONSE: MTI's capitalization ratio is 77.4%.

7. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Applicant's Projected Payor Mix, Year 1

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	\$927,891	14.8%
TennCare/Medicaid	654,613	10.4%
Commercial/Other Managed Care	4,350,473	69.3%
Self-Pay	54,028	0.9%
Charity Care	37,694	0.6%
Other (Specify) <u>Champus & Other</u>	257,573	4.1%
Total	\$6,282,271	100.0%

8. Provide the projected staffing for the project ^{7/2}Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
A. Direct Patient Care Positions				
<i>MRI Tech</i>	0.0	1.0	\$35.00/hr	\$31.00/hr
<i>CT Tech</i>	0.0	1.0	\$31.00/hr	\$31.00/hr
<i>Position "etc."</i>				
Total Direct Patient Care Positions	0.0	2.0		

B. Non-Patient Care Positions				
<i>Medical Asst/Front Desk</i>	0.0	1.0	\$16.00/hr	\$15.00/hr
<i>Position 2</i>				
<i>Position "etc."</i>				
Total Non-Patient Care Positions				
Total Employees (A+B)	0.0	1.0		
C. Contractual Staff	0.0	0.0		
Total Staff (A+B+C)	0.0	3.0		

9. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- A. Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

RESPONSE: MTI has two other full service imaging centers in Rutherford County – one in Murfreesboro near Saint Thomas Hospital Rutherford and another in Smyrna. Expansion options at these sites are limited.

As documented previously in this application, service area ODC providers of MRI and CT services have experienced rapid growth in utilization over the past three reporting years. Demand for ODC MRI and CT services is expected to grow as the service area population increases and reimbursement plans continue to shift a greater portion of healthcare costs to

the patient. ODCs are not reimbursed⁷³ at higher hospital outpatient department (HOPD) rates, so patient deductibles and co-pays are less in the ODC setting.

Furthermore, both the Saint Thomas Health - New Salem primary care site and MTI's New Salem site were selected to deliver patient care closer to where patients live. The New Salem area is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford. Traffic between New Salem and downtown Murfreesboro is a growing concern, causing access issues to existing providers.

At a cost of only \$445,000, MTI's proposed previously-owned 1.5T GE MRI unit represents very affordable and high quality technology. Similarly, at a cost of only \$205,000, MTI's proposed previously-owned 16-slice GE CT unit also represents very affordable and high quality technology.

This project is necessary to improve access to quality and cost-effective outpatient imaging services.

- B. Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

RESPONSE: MTI's New Salem leased space is currently designed to accommodate both an MRI unit and a CT unit. MTI will build out its existing space (i.e., no expansion beyond the existing exterior walls) inside the facility.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

RESPONSE: MTI has many active managed care contracts in place to provide for seamless care of its patients, including:

- Aetna
- Americhoice TennCare
- Amerigroup TennCare
- Beech Street
- Bluegrass Family Health Plan
- Blue Cross Blue Shield – TN – Ntwk P & S
- BlueCare/TennCare Select
- Bridgestone Firestone – WC arrangement
- Center Care Network
- Cigna HMO, POS, & PPO / Med Solutions
- Corvel
- Coventry / First Health
- Health Payors Organizations (HPO)
- HealthSpring HMO / Medicare Advantage
- Humana – Military – Tricare Prime
- Humana – all products
- Nissan – Work Comp arrangement
- Orchid Medical – Work Comp
- Prime Health
- Multiplan / Private Healthcare Systems
- Novanet – all products
- Signature Health Alliance – access through Bluegrass
- United Healthcare – all products
- USA Managed Care
- Windsor Health Plan of TN – MEDICARE EXTRA

2. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

A. Positive Effects

RESPONSE: As documented previously in this application, service area ODC providers of MRI and CT services have experienced rapid growth in utilization over the past three reporting years. Demand for ODC MRI and CT services is expected to grow as the service area

population increases and reimbursement plans continue to shift a greater portion of healthcare costs to the patient. ODCs are not reimbursed at higher hospital outpatient department (HOPD) rates, so patient deductibles and co-pays are less in the ODC setting.

Furthermore, both the Saint Thomas Health - New Salem primary care site and MTI's New Salem site were selected to deliver patient care closer to where patients live. The New Salem area is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford. Traffic between New Salem and downtown Murfreesboro is a growing concern, causing access issues to existing providers.

B. Negative Effects

RESPONSE: Negative effects on patients and payors are expected to be minimal, if there are any at all. Population growth in the service area is expected to increase the utilization of existing MRI and CT providers in the service area.

3. A. Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

RESPONSE: Staffing requirements are minimal, just 3.0 FTEs. A number of channels are utilized by MTI to recruit and maintain staffing, including in-house listings of available positions, advertisements in local and regional newspapers, advertisements in professional publications, and recruiting firms. MTI has a history of successfully recruiting professional and administrative staff. It provides competitive benefits, compensation, and is committed to the retention of existing personnel.

- B. Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

RESPONSE: MTI has reviewed and understands the licensure and certification requirements for medical and clinical staff. As an existing licensed and ACR-accredited provider, MTI has administrative policies and procedures in place to ensure that licensure and certification requirements are followed. Furthermore, MTI maintains quality standards that are focused on continual improvement.

- C. Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

RESPONSE: The applicant is not currently involved in any training programs, but is willing to consider this under the auspices of an appropriate educated institution.

4. Identify the type of licensure and certification⁷⁶ requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: **Tennessee Department of Health**

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.): **ODC**

Accreditation (i.e., Joint Commission, CARF, etc.): **American College of Radiology**

- A. If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

RESPONSE: MTI's facilities are in full compliance with all applicable licensure and accreditation requirements.

- B. For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

RESPONSE: There are no outstanding deficiencies.

- C. Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

- 1) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

RESPONSE: Not applicable, there have been no state, federal, or accrediting body actions within the last three survey cycles.

5. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- A. Has any of the following:

- 1) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);
- 2) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or
- 3) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include

any entity in the chain of ownership ~~77~~ applicant) has an ownership interest of more than 5%.

RESPONSE: There have been no state, federal, or accrediting body actions against MTI or any entity or person with more than 5% ownership.

B. Been subjected to any of the following:

- 1) Final Order or Judgment in a state licensure action;
- 2) Criminal fines in cases involving a Federal or State health care offense;
- 3) Civil monetary penalties in cases involving a Federal or State health care offense;
- 4) Administrative monetary penalties in cases involving a Federal or State health care offense;
- 5) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or
- 6) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.
- 7) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.
- 8) Is presently subject to a corporate integrity agreement.

RESPONSE: Neither MTI nor any entity or person with more than 5% ownership have been subject to any of the actions identified above..

- A. Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

<u>Outstanding Projects</u>					
<u>CON Number</u>	<u>Project Name</u>	<u>Date Approved</u>	<u>*Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	
CN1110-037	3-phase hospital construction project	1/25/2012			3/1/2017
CN1307-029	Relocation and replacement of existing ASTC	10/23/2013			6/30/2017

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

- B. Provide a brief description of the current progress, and status of each applicable outstanding CON.

Response: CN1110-037 is in progress and is scheduled for completion soon. CN1307-028 is in progress and scheduled for completion in the first quarter of 2017.

7. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

- A. Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? Yes
- B. If yes, have you submitted their registration to HSDA? If you have, what was the date of submission? Various
- C. If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? Various

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

RESPONSE: Yes, MTI will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number, and type of procedures performed, and other data as required. Additionally, MTI submits a Joint Annual Report (JAR) to the Department of Health and will continue to do so.

MTI will maintain active licensure and accreditation status.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

1. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

RESPONSE: Among the top 10 leading causes of death for Tennessee residents are cancer and accidents. Imaging services proposed by MTI will help in the treatment of these two leading causes of death plus the morbidity associated with orthopedic and other diseases.

2. People in Tennessee should have access to health care and the conditions to achieve optimal health.

RESPONSE: Among the three criteria required to attain good access, as listed in the 2010 National Health Disparities Report, is, "getting access to sites of care where patients can receive needed services." The proposed MRI and CT services at MTI-New Salem are designed to, among other goals, increase patient accessibility both geographically (population growth and traffic) and financially (lower cost ODC deductibles and co-pays as opposed to HOPD).

3. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

RESPONSE: Recognizing the benefits of outpatient imaging centers such as MTI-New Salem, Saint Thomas Health is actively involved in 13 other similar joint ventures with MTI throughout the greater Nashville area.

This strategy remains vital today more than ever, in response to the uncertainty surrounding the future of the Affordable Care Act (ACA) and continued pressure from payors to contain healthcare costs. Saint Thomas Health formed one of the nation's first Accountable Care Organizations (ACOs), MissionPoint Health Partners, in August 2011. Its goal is to assist doctors, employers and patients to work more closely together to trim medical costs and make people healthier under insurance plans. The concept behind the physician-led program is to help stakeholders in a patient's care – including doctors, hospitals, pharmacies and payers – to get in sync at a time when insurers are pushing for better coordination of care and linking payment amounts to health outcomes. MissionPoint works closely with patients, both when they are well and when they are sick.

ODCs such as MTI-New Salem play an important role within the ACA and ACO care delivery model for containing costs, promoting quality and increasing accessibility. Freestanding imaging centers are reimbursed at lower rates compared to hospital-based facilities. This has a direct impact on patient deductibles and co-payments as well. Since Medicare rates often form a basis for third-party reimbursement, the impact of this differential on the service area population is even more widespread.

4. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

RESPONSE: As an existing licensed and accredited provider of quality patient services, without regard to patient gender, ethnicity, geographic location or socioeconomic status, Saint Thomas Health and MTI are equitable healthcare providers. This same level of commitment will continue with the proposed ODC expansion.

5. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

RESPONSE: While “the state” appears to be the party charged with supporting the development, recruitment, and retention of a sufficient and quality health care workforce, MTI is an existing ODC provider with a history of successful staff recruitment and retention.

PROOF ~~OF~~ PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

RESPONSE: Please see Attachment D – Proof of Publication (Tabs 20-21).

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.

RESPONSE: Please see the project forecast completion chart below.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	<u>Days Required</u>	<u>Anticipated Date</u> <u>[Month/Year]</u>
1. Initial HSDA decision date		04/17
2. Architectural and engineering contract signed	20	05/17
3. Construction documents approved by the Tennessee Department of Health	30	05/17
4. Construction contract signed	30	05/17
5. Building permit secured	60	06/17
6. Site preparation completed	60	07/17
7. Building construction commenced	90	07/17
8. Construction 40% complete	120	08/17
9. Construction 80% complete	150	09/17
10. Construction 100% complete (approved for occupancy)	180	10/17
11. *Issuance of License	210	11/17
12. *Issuance of Service	210	11/17
13. Final Architectural Certification of Payment	240	12/17
14. Final Project Report Form submitted (Form HR0055)	270	01/18

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

AFFIDAVITSTATE OF TennesseeCOUNTY OF DAVIDSON

MARK GAW, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

[Signature] / CFO
SIGNATURE/TITLE

Sworn to and subscribed before me this 10 day of Jan, 2017 a Notary
(Month) (Year)

Public in and for the County/State of Davidson, Tennessee.



[Signature]
NOTARY PUBLIC

My commission expires 9 - 10, 2018.
(Month/Day) (Year)

TABLE OF CONTENTS

Attachment A

- Tab 1 - Corporate Charter
- Tab 2 - Organizational/Ownership Chart
- Tab 3 - Related Healthcare Institutions
- Tab 4 - Management Agreement
- Tab 5 - Site Entitlement
- Tab 6 - MCO/BHO Participation

Attachment B

- Tab 7 - Equipment Vendor Quotes
- Tab 8 - Plot Plan & Photos
- Tab 9 - Service Area Access
- Tab 10 - Schematics

Attachment C

- Tab 11 - Service Area Maps
- Tab 12 - FDA Documentation
- Tab 13 - Construction Costs Verification Letter
- Tab 14 - Radiologist CVs and Transfer Agreement
- Tab 15 - Service Area Population
- Tab 16 - Intentionally Left Blank
- Tab 17 - Verification of Funding
- Tab 18 - Balance Sheet and Income Statement
- Tab 19 - Intentionally Blank

Attachment D

- Tab 20 - Copy of Published Public Notice
- Tab 21 - Letter of Intent

Attachment B

Plot Plan and Photos



Property Address: 2723 NEW SALEM HWY
 Jurisdiction: 515 - Murfreesboro
 Parcel #: 114 02122
 Subdivision: NEW SALEM STRATEGIC INVESTMENTS - NEW SALEM STRATEGIC INVESTMENTS
 Lot #: 1
 Dimensions: NODATA
 Land Flag: NODATA
 Acres: 3.04000
 Class: RES1 - Residential
 Land Mkt Value: \$930,500
 Improvement Value: \$2,712,300
 Total Market Appraisal: \$3,732,300
 Assessment %: NODATA
 Assessment: \$933,075
 Greenbelt Value: NODATA

Building Information

BuildingSequence	EXTWALL	INTWALL	ROOFSTRUCT	ROOFCOVER	YearBuilt	FLOORCOVER	QUALITY
1							
1	Frame Brick Veneer	Drywall	Flat		2016	Allowance	Good
1	Frame Brick Veneer	Drywall	Steel Frame		2016	Allowance	Good

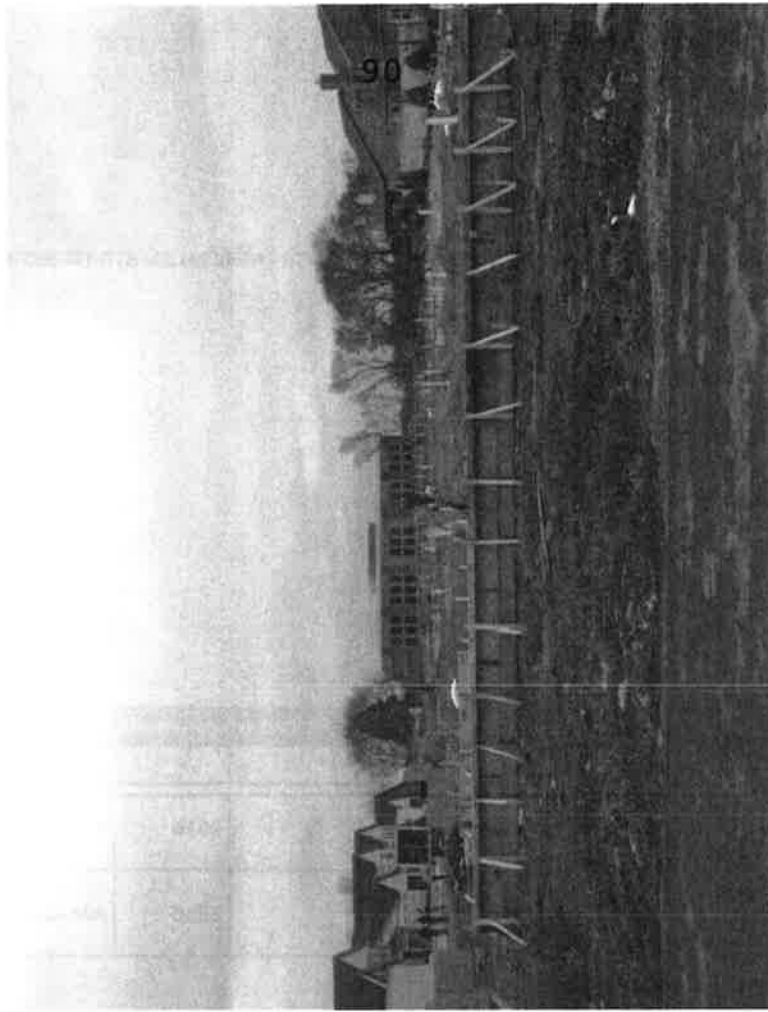
BuildingSequence	Plumbing Fixtures	SQFT
1	32	31244.00

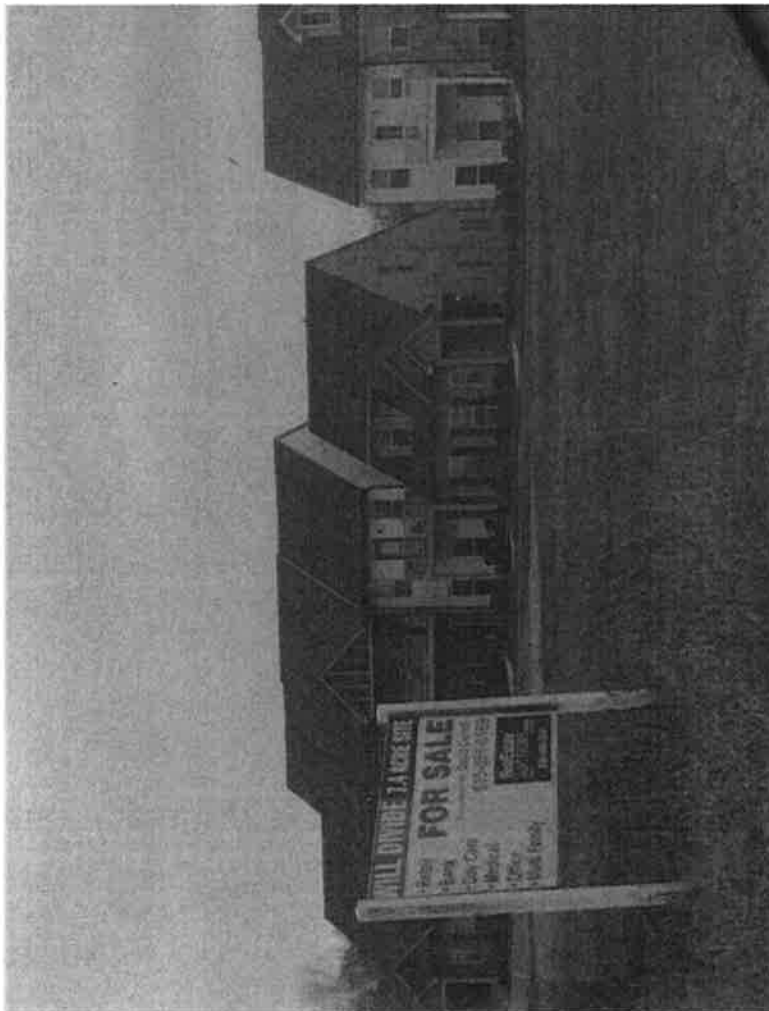
Sale Information

SaleDate	SalePrice	Book	Page	GrantorName	GranteeName
10/29/2015	1192851.00	1421	1937	NEW SALEM STRATEGIC INVESTMENTS LP	
8/25/2016	12395845.00	1497	3768	MURFREESBORO 99 PARTNERS G.P.	
10/29/2015	1192851.00	1421	1937	NEW SALEM STRATEGIC INVESTMENTS LP	
8/25/2016	12395845.00	1497	3768	MURFREESBORO 99 PARTNERS G.P.	

Non-Sale Document Information

SaleDate	SalePrice	Book	Page	GrantorName	GranteeName
9/6/2008		869	3012	NEW SALEM STRATEGIC INVESTMENTS LP	
9/6/2008		869	3012	NEW SALEM STRATEGIC INVESTMENTS LP	





Tab 9

Attachment B, III.(B).1

Service Area Access

New Salem Highway widening to start 2018

Scott Broden , sbroden@dnj.com

6:23 a.m. CDT April 2, 2016



(Photo: John A. Gillis/DNJ)

MURFREESBORO — The widening project of New Salem Highway from Old Fort Parkway to Cason Lane will start in 2018, the state announced Thursday.

The New Salem Highway plan is included on the \$2 billion list of 79 projects for 42 counties and 15 statewide infrastructure upgrades recommended to take place through 2019, according to a news release about the three-year Tennessee Department of Transportation schedule announced by Gov. Bill Haslam and Transportation Commissioner John Schroer.

The list also mentions a two-tenths of a mile widening of Franklin Road, which is part of state Route 96, to begin in 2017 from Veterans Parkway to east of Overall Creek.

Murfreesboro City Councilman Ron Washington wishes the list also included the widening of Thompson Lane, which is part of state Route 268, from Broad Street to Memorial Boulevard in an area that includes three Siegel schools.

"Any transportation road funding you have to be pleased with," Washington said. "However, that schedule does not meet my expectation because Thompson Lane in my opinion is a major priority. Thompson Lane is something that must be done."

Washington said the road funding should have covered even more of the widening of New Salem Highway, which is a part of state Route 99, to Veterans Parkway on the far southwest side of the city.

"Any funding you get nowadays is a blessing, so you have to be pleased, but Thompson Lane and New Salem Highway from Old Fort Parkway to Veterans Parkway are two highly congested roads that need construction," Washington said.

Ketron supports 2017 gas tax hike; others not so much

[\(http://www.dnj.com/story/news/local/2015/12/16/ketron-supports-2017-gas-tax-hike-others-not-so-much/77416782/\)](http://www.dnj.com/story/news/local/2015/12/16/ketron-supports-2017-gas-tax-hike-others-not-so-much/77416782/)

Republican state Sen. Jim Tracy of Shelbyville agreed that the Thompson Lane project is needed and would have liked to have seen the list of funded projects also include the widening of West Jefferson Pike, which is part of state Route 266, from Nissan Drive in Smyrna to state Route 840.

"Jefferson Pike widening is at the top of the list I'm going to work on," said Tracy, who serves as the chairman of the Senate Transportation and Safety Committee.



(Photo: HELEN COMER/DNJ)

Tracy said he's pleased about the funding plans for New Salem Highway. He also wishes the list mentioned a proposed Interstate 24 interchange on Rocky Fork Road in Smyrna and the improvement of an existing interchange at Epps Mill Road on the southeast side of Rutherford County.

"With the growth going on in Rutherford County, we've got numerous projects out there," Tracy said. "I was happy they got what they got. I'd always like more."

The senator said he's asked TDOT to conduct a new study of needed road projects and the revenues required to cover them before examining possible ways to increase revenues.

The existing state gas tax of 21.4 cents per gallon hasn't increased since around 1989, and road revenues have been unable to keep up with construction costs, said Tracy, who also wants the state to repay \$260 million to the road fund that was used to balance budgets.

Smyrna Town Council wants road taxes 'enhanced'

[\(http://www.dnj.com/story/news/2016/02/15/council-wants-road-taxes-enhanced/80313162/\)](http://www.dnj.com/story/news/2016/02/15/council-wants-road-taxes-enhanced/80313162/)

A mile of road in 2006 cost about \$35,000 to build, and that's climbed to about \$100,000 today, Tracy said.

The average motorist drives about 15,000 miles per year and pays \$160 in gas taxes, said Tracy, noting his monthly cell phone bill is more than that.

Councilman Washington said the federal gas tax of 18.4 cents is also overdue being raised by lawmakers.

"They need to get that gas tax around 30 cents on the federal level," said Washington, who'd also like to see the local annual wheel tax raised by \$3 per vehicle to go toward road projects. "The transportation funding is still an issue with no movement in sight with long-term funding. That's the issue that Congress failed to address. Somewhere immediately down the road, Congress must address long-term transportation funding for the whole country, and not just for Rutherford County."

Contact Scott Broden at 615-278-5158. Follow him on Twitter @ScottBroden.

Read or Share this story: <http://on.dnj.com/1N2nACA>

Murfreesboro council to discuss road funds

Scott Broden , sbroden@dnj.com

8:04 a.m. CDT October 11, 2016



(Photo: Submitted)

MURFREESBORO — The City Council will discuss 2017 Tennessee General Assembly priorities such as road funding this week.

"It's imperative that we get that Highway 99 widened," Mayor Shane McFarland said.

The special-called meeting will be at 5 p.m. Thursday, Oct. 13 in Room 218 on the second floor of City Hall, 111 W. Vine St.

The seven-member council hopes tax dollars from the General Assembly will pay for improvements to federal and state roads that pass through a fast-growing Murfreesboro that reached a U.S. Census estimated population of 126,118 on July 1, 2015.

State Highway 99, for example, includes a New Salem Highway area that leads southwest of the city to where the Rutherford County Board of Education plans to open a Rockvale High School by 2019 to relieve

overcrowding at other campuses.

Mayor McFarland also mentioned funding to improve Thompson Lane between Broad Street and Memorial Boulevard on the northwest side of Murfreesboro and Bradyville Pike, a road that's also part of state Highway 99 on the southeast side of Murfreesboro.

"As many people in the area know, one of the biggest challenges is transportation moving forward," McFarland said.

City Councilman Eddie Smotherman agreed that funding is important for the federal and state roads that pass through Murfreesboro.

"That's where we're having our main traffic jams, in our thoroughfares," Smotherman said. "We continuously look for funding and for our budget to make ends meet."

In addition to road funding, the council will talk about annexation laws in recent years that made conditions harder for property owners to make annexation requests for their land that's not contiguous to the city boundary because neighbors that are contiguous reject annexation.

Although people make negative arguments about forced annexation, law makers should look at the property rights of individuals "if they do want to be annexed," Mayor McFarland said.

Another legislative issue is what's going on with education, the mayor and Councilman Smotherman said.



Buy Photo

Eddie Smotherman (Photo: DNJ file)

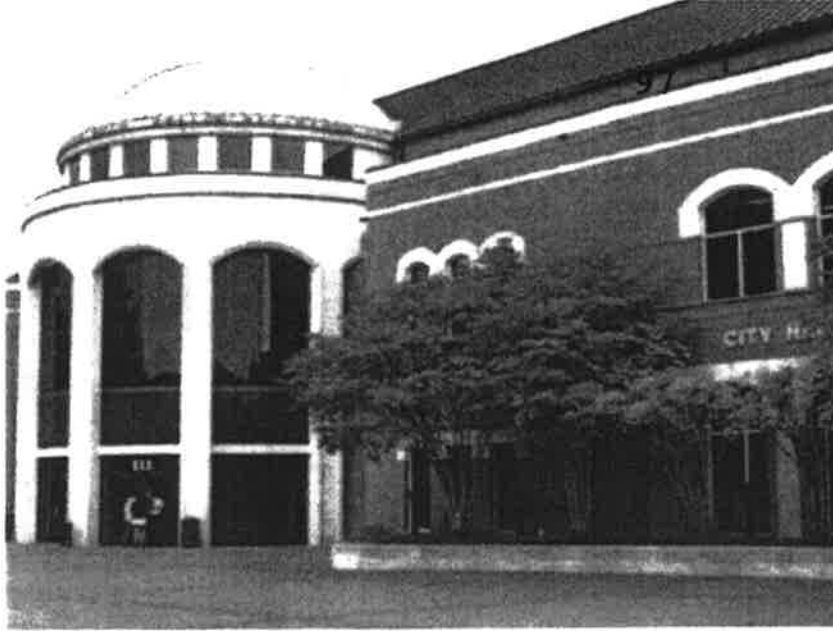
"We need to make sure we have emphasis on education as we continue to improve our schools," Smotherman said.

Education in Murfreesboro includes the city's pre-kindergarten through sixth-grade district, Rutherford County Schools that serve prekindergarten through 12th grade, and Middle Tennessee State University.

The council will be meeting with lobbyist Russ Farrar of the Nashville lobbying firm Farrar & Bates. The elected council at the recommendation of City Manager Rob Lyons hired the firm in February 2016 to advise the Council on numerous intergovernmental issues and legislation that impact local governments, including Murfreesboro, financially, operationally, and strategically, states a news release from the city.

The firm also assists the city with advise on other tax and transportation-related issues.

Contact Scott Broden at 615-260-0523. Follow him on Twitter @ScottBroden.



(Photo: DNJ staff)

Public comment, other City Council meetings

Residents will get the chance to speak to the Murfreesboro City Council between two other scheduled meetings. The meeting involving public comment will last up to 30 minutes and begin at 6:30 p.m. Thursday in Council Chambers on the first floor of City Hall, 111 W. Vine St. Those interested can call the city administration in advance at 615-849-2629 to request a speaking time.

In addition to the public comment meeting, the council will meet at 5 p.m. Thursday to discuss legislative priorities in Room 218 on the second floor of City Hall. The regular weekly meeting is scheduled to begin at 7 p.m. in Council Chambers.

City Hall is by Linebaugh Library, and both are a part of Civic Plaza. Free parking is available under the plaza in a two-story garage with access from Vine, Church and Broad streets.

Read or Share this story: <http://on.dnj.com/2eEuFb>

Smyrna seeks I-24 interchange at Rocky Fork Road

Scott Broden , sbroden@dnj.com 7:01 a.m. CDT October 31, 2016



(Photo: Scott Broden /DNJ)

SMYRNA — Town officials hope upgrades to Sam Ridley Parkway and other roads will lead to the long coveted third Interstate 24 interchange at Rocky Fork Road.

"We have about eight to 10 projects just over \$13 million in the pipeline as far as road improvements going on," said Tim Morrell, who is one of the seven elected members of a Smyrna Town Council that seeks I-24 access beyond the parkway and Almadale Road. "Our large focus is getting the interchange at Rocky Fork. In order to do that, we have to follow the TDOT (Tennessee Department of Transportation) mandate to improve Sam Ridley Parkway."

Smyrna officials see road improvements that include better timed traffic lights as a way to attract more jobs, retail and shopping opportunities while maintaining the quality of life for a fast-growing town that has reached an estimated population of about 47,521 after a U.S. Census count of 39,974 in 2010.

The council is pursuing a \$6.5 million extension of Enon Springs Road from Old Nashville Highway to Rocky Fork Road near the proposed I-24 interchange and where the Rutherford County Board of Education plans to open a middle school by August 2017 and an elementary school by August 2018, said Tom Rose, the public works director for the Smyrna government.

"It will be a gateway entrance," said Rose, who expects the Enon Springs extension to be done by summer 2018 and attract commercial and residential development. "We are pushing this project as quickly as we can. There's a lot of growth that's happening before that road is going to be done."

Other projects include the widening of StoneCrest Boulevard at the Sam Ridley Parkway intersection, Florence Road between Enon Springs and Rebel roads, and the Weakley Lane intersection at Swan Drive.

Sam Ridley Parkway should move faster once the access road for StoneCrest Medical Center near I-24 is widened, Rose said.

"Right now there's a lot of backup," Rose said.

Stonecrest Boulevard will go from three lanes to five lanes: two will be for left-hand turns; two will be to go straight across Sam Ridley; and one will be for right-hand turns. TDOT is funding 80 percent of the \$400,000 intersection project while the town is covering the other 20 percent with impact fees.

The council also is building an Intelligent Transportation System that allows government staff to improve traffic-light timing at 48 of the town's 49 intersections through monitoring cameras for non law-enforcement purposes.

"No red light cameras," quipped Rose, who expects the system to be complete by November 2018. "We have some great projects for the growth."

The town will be spending \$180,000 while TDOT provides \$720,000 to add fiber optic lines that connect with existing ones, Rose said.

"We have some really great projects for growth," Rose said.

Contact Scott Broden at 615-278-5158. Follow him on Twitter @ScottBroden.

Smyrna road projects

Florence Road

Project: Widening from two lanes to three between Enon Springs and Rebel roads

Completion date: August

Cost: \$4.2 million

Funding source: Impact fees for development and \$350,000 from two industrial companies

StoneCrest Boulevard at Sam Ridley Parkway

99

Project: Widening from three lanes to five

Completion date: July

Cost: \$400,000

Funding source: 80% TDOT; 20% impact fees

Enon Springs Road

Project: Extension of Enon Springs from Old Nashville Highway to Rocky Fork Road

Construction start date: Summer 2017

Completion date: Summer 2018

Cost: \$6.5 million

Expected funding source: bond

Intelligent Transportation System

Project: Adding fiber optic lines and connecting to existing ones for government staff to monitor and improve traffic light timing through cameras at 48 of town's 49 traffic signals

Completion date: November 2018

Cost: \$900,000

Funding source: 80% TDOT; 20% town government

Weakley Lane and Swan Drive

Project: adding four left-hand turn lanes

Start date: June 2017

Completion date: October 2017

Cost: \$950,000

Funding source: 80% TDOT; 20% town impact fees

Source: Smyrna Public Works Director Tom Rose

Sam Ridley, Almaville jams annoy town

100

Scott Broden , sbroden@dnj.com

9:30 a.m. CDT September 1, 2016



(Photo: Nancy Broden/DNJ)

SMYRNA — Traffic jams on Sam Ridley Parkway and Almaville Road continue to be a concern for the Town Council.

"It's frustrating," Smyrna Mayor Mary Esther said during a Tuesday workshop with the other six elected officials on the Town Council.

Town Manager Harry Gill Jr. told the council members that he will be giving them a presentation during next month's workshop scheduled at 5 p.m. Sept. 29 about addressing the traffic in particular on both of these

Smyrna roads that have Interstate 24 interchanges.

"Hopefully, we'll see some improvements on Sam Ridley and Almaville Road," said Gill, adding that other road projects will be discussed during the presentation.

Mayor Reed said it's important for the town to do everything it can to improve Sam Ridley Parkway and Almaville Road while continuing to ask state and federal officials to approve a third I-24 interchange at Rocky Fork Road.

"It's a long, drawn-out process," said Reed, who serves with other mayors in Middle Tennessee as a member of a Metropolitan Planning Organization that makes decisions on spending federal transportation funding. "Everybody wants a piece of that pie."

The third interchange would be near where the Rutherford County Board of Education is building a middle school and elementary school, and tie in with the town's plans to extend Enon Springs Road to this area from Old Nashville Highway.

While waiting for the long sought interchange, traffic jams remain a concern on Sam Ridley Parkway and Almaville Road, the mayor said.

"It's frustrating," Reed said.

In addition to improving roads, Councilman H.G. Cole said the town and the Middle Tennessee region need to expand bike lanes and mass transportation options, such as light rail, buses and subways, to provide people with other ways to travel and compete with what's going on in cities such as Seattle and Portland.

Nashville will no longer continue to be the "It city," unless more is done to promote mass transportation and bike lanes "because we're choking ourselves with growth," said Cole, adding that too many builders and developers oppose these transportation options.

"That closed mindedness is deliberating to our growth," Cole said.

Mayor Reed agreed and said transportation has to go beyond just getting people from Smyrna to downtown Nashville.

Another issue of concern is drivers speeding through subdivisions and ignoring stop signs, said Gill, adding that the town plans to impose hefty fines on those caught "flying through" neighborhood streets to make conditions dangerous where children ride bikes and play.

Contact Scott Broden at 615-278-5158. Follow him on Twitter [@ScottBroden](https://twitter.com/ScottBroden) (<http://twitter.com/ScottBroden>).

Read or Share this story: <http://on.dnj.com/2bTnT71>

Smyrna Candidates: Traffic growth top concerns

Michelle Willard, mwillard@doj.com 9:13 a.m. CDT October 21, 2016



(Photo: HELEN COMER/DNJ)

Elections for Eagleville, La Vergne and Smyrna will be held along with state and federal elections on Nov. 8 and candidates across the county are vying for seats on their local municipal councils.

In Smyrna, seven candidates — Bradley Austin, Dennis Johnson, Tim Morrell, Robert "Bob" New, Racquel Peebles, Steve Sullivan and Michelle Mastin Wesnofske — are running for three open, at-large seats on the Town Council.

The candidates were asked the same questions and given an opportunity to share their thoughts with the voters. Here are their answers:

Name: Bradley Austin

Experience: I have worked for Discount Auto Sales in Murfreesboro for two years now. I started as a sales representative and now I am an assistant manager in training. I want to work for the people of Smyrna. I got

involved with my community by helping state Rep. Mike Sparks, R-Smyrna, since I was 19. He has been a great influence in my life.

What is the biggest issue facing Smyrna? What is my solution?

Our budget is out of control. We spend more money on our parks than we do on our police and fire departments. We need a new budget and responsible people to use our tax dollars.

Name: Dennis Johnson



Dennis Johnson (Photo: Submitted)

Experience: Throughout my life in Smyrna I have been an active citizen, teacher, small business owner, coach and volunteer. I was awarded the lifetime service award in 2015, the same award my father won in 1999. I have served on our Parks Advisory Board for the past two years.

What is the biggest issue facing Smyrna? What is my solution?

One of our biggest issues is making sure our roads can handle the amount of traffic we are facing due to the amount of growth in our town.

I feel the solution requires us to work together with TDOT on road projects that will help alleviate traffic on state roads such as Sam Ridley Parkway, Jefferson Pike, Alnaville Road interchange and trying to obtain a third interchange on Rocky Fork Road. I also believe it's important to continue and complete current projects such as Florence Road, Rocky Fork Road to the new school and Enon Springs Road tying into Rocky Fork Road.

Name: Tim Morrell



Tim Morrell (Photo: Submitted)

Experience: Current councilman for the Smyrna Town Council; Smyrna Planning Commission; Rutherford County Economic Development Board, Town Representative; Lowry Street Revitalization Committee Member; Board of Trustees; Rotary Club of Smyrna; United Way Board for Rutherford & Cannon Counties, former Board of Directors; North Rutherford YMCA, former Board of Directors

What is the biggest issue facing Smyrna? What is your solution?

Smyrna is the 14th largest city in Tennessee with the third lowest tax rate. Additionally, we have one of the lowest unemployment rates in Tennessee. Due to these factors and our continual focus on quality of life, we are experiencing explosive growth that is putting a strain on our infrastructure such as waste water capacities and on our roadways.

For infrastructure solutions, we are currently in a \$25 million waste-water expansion that will increase our capacities to meet the demands of our growing population.

As far as roadways, first and foremost, the Town Council continues to seek approval at the state and federal level to obtain an interchange at Rocky Fork Road and I-24.

Even more importantly, we are continuing to work with TDOT (Tennessee Department of Transportation) on improving traffic flow on Sam Ridley Parkway and Almadale Road/Lee Victory Parkway.

Name: Bob New



Bob New (Photo: Submitted)

Experience: I've been a registered nurse for 40 years and retired last year. My wife and I have been involved in politics since moving here. We've worked on several campaigns and I've run for office in the past. I've dedicated my life to serving others and look forward to serving the people of Smyrna.

What is the biggest issue facing Smyrna? What is your solution?

Unbridled growth is the main problem facing Smyrna. This causes most of the other issues. Our infrastructure can't keep up with the rapid growth. We need improved planning that will take into consideration the impact on our roads and services. The impact on our environment is causing storm-water problems, air pollution and noise pollution that impacts our homes and quality of life. There needs to be a balance between the impact of growth on our economy, environment and quality of life. We need leaders who will make the tough choices. Sometime you just need to say no.

Name: Steve Sullivan



Steve Sullivan (Photo: Courtesy of Facebook)

Experience: Bachelor's and master's degrees from Trevecca Nazarene University; former U.S. Marine, Desert Storm Veteran; Volunteer Board member for slow-pitch, fast-pitch, and adult softball, baseball, and soccer; Volunteer of the Year 2014, Smyrna Adult Softball League; member of the Board of Zoning Appeals and Parks Athletic Committee; 20-plus years in IT Management at IBM and Nissan

What is the biggest issue facing Smyrna? What is your solution?

The biggest issue facing Smyrna today is exponential growth. Growth is a great issue to have and is required for Smyrna's sustainability, but unbridled growth is a disaster. Our thoroughfares and infrastructure must be managed carefully to accommodate this growth. To meet these demands, continued fiscal responsibility is a must. A healthy cash reserve and managed budget are mandatory to be in a position to fund the infrastructure upgrades and expansions needed to support this growth. Vote for me, starting Oct. 19, and I will work with the mayor and other council members to find common sense solutions to these issues.

Name: Raquel Peebles



Raquel Peebles (Photo: Submitted)

Experience: I have practiced law for 20 years, which requires listening to people's concerns and resolving them. I have owned a small business in Smyrna for 13 years, so I understand how critical good planning and budgeting are. Lastly, I have served on various boards and as a community volunteer.

What is the biggest issue facing Smyrna? What is your solution?

The biggest issue facing Smyrna is infrastructure, which overlaps with other issues. We should continue allocating more funds toward alleviating traffic concerns, and that includes expanding current roads and constructing new ones. We have to be proactive with effective planning so the necessary infrastructure is in place for businesses and residents and people moving to Smyrna.

Additionally, we need to work with our county, state and federal leaders to secure funding for an additional interchange at I-24, which will bring more retail and job opportunities for our residents so that they can work, eat, shop, and play here in Smyrna.

Name: Michelle Martin Wesnofske

Experience: As a small business owner, I understand the need for economic growth balanced with controlled spending. I grew up in Smyrna, raised my children here and my children are raising their children here. I serve on the Historic Zoning Board and have been in attendance with the citizens' committee regarding the Lowry Street overlay project. Smyrna's past, present and future are of utmost importance to me.



Michelle Wesnofske (Photo:
Submitted)

What is the biggest issue facing Smyrna? What is your solution?

103
The biggest issue facing our town is economic growth. We have stagnated in our proactive efforts to attract businesses (with exception to the retail sales tax revenue generated on the west end of Sam Ridley Parkway). We enjoy lots of amenities in Smyrna, including a beautiful park system. We have spent a great deal of money and resources making Smyrna an attractive place to live. However, we must refocus our attention to updating our infrastructure in an effort to attract more industry and create more local jobs. I am interested in promoting the concept of being proactive in preparing our infrastructure to attract new businesses to Smyrna so that our residents can live and work amid this wonderful community.

Reach Michelle Willard at 615-278-5164, on Twitter @MichWillard or on Facebook at facebook.com/DNJBusiness.

Read or Share this story: <http://on.dnj.com/2eYjzJa>

Murfreesboro paves way for FedEx Ground facility

Michelle Willard , mwillard@dnj.com

8:54 p.m. CST November 17, 2016



(Photo: Michelle Willard / DNJ)

MURFREESBORO — Traffic concerns dominated the conversation at the Murfreesboro City Council on Thursday night surrounding zoning requests for a proposed FedEx Ground facility.

FedEx Ground has asked for annexation into the Murfreesboro city limits and rezoning the 217-acre undeveloped property located along the south side of South Rutherford Boulevard east of the CSX railroad tracks and west of Broad Street.

Surprisingly no one spoke in either of the public hearings held for the plan of services, annexation and rezoning before the City Council gave its approval in a 5-1 vote with Councilman Rick LaLance dissenting.

LaLance spoke out on the project's potential negative impact on traffic with a projected 750 trips per day coming into and out of the site.

The project's site plan was approved Wednesday by the Murfreesboro Planning Commission, contingent on approval of the plan of services, annexation and rezoning by the City Council.

"FedEx already has a facility in town. They are looking to expand because of the increased volume we see from the growth in Middle Tennessee," Cherie Akers from Stantec said on behalf of the logistics company.

[When 947,842 square-foot facility \(/story/money/business/2016/08/31/fedex-ground-build-hub-murfreesboro/89644276/\) is completed](#), the hub will have hundreds of bays for tractor trailers to load and unload into the proposed one-story building. It will also have spaces for "inbound parking," "outbound parking" and employees, according to the preliminary site plan.

The site plan has separate entrances for employees and trucks and vans with primary access about a quarter mile from Broad Street on South Rutherford Boulevard.

During the meeting Thursday, the City Council asked about how the facility will impact traffic on Church Street and surrounding roadways.

"We have adopted many options to accommodate our traffic," Akers said.

[Given the potential impact on traffic in south Murfreesboro \(/story/money/business/2016/09/02/fedex-submits-plans-ground-hub-murfreesboro/89737798/\)](#), FedEx and city officials have worked with consultants from RPM Transportation Consultants to develop a traffic plan for the site.

By the time it reaches full capacity, RPM estimates as many as 750 pickup and delivery vans and tractor trailers coming into and out of the site daily, said Robert Murphy, president RPM Transportation Consultants.

He explained at a neighborhood meeting in October that most of the van and truck traffic at the facility will happen in mid-afternoon and late evening.

Preliminary proposals include a turning lane from Broad Street to South Rutherford Boulevard and retiming signals at both the intersections of South Rutherford and South Church and Broad streets, Murphy said.

Murphy explained the company studied the current traffic situation and developed recommendations that could actually improve traffic flow on Church Street.

Ram Balachandran, traffic engineer for the city of Murfreesboro, explained the project will be completed in two phases, the first which will be fully completed in 2019. Full build out is set for a 2026.

He said the plan for the first phase "looks good" and he asked them to study the timing of the traffic lights at three intersections on South Church Street — Rutherford Boulevard, Interstate 24 west off ramp and I24 east off bound — and two on Broad Street — Rutherford Boulevard and Joe B. Jackson Parkway.

"They are going to synchronize the lights with their truck traffic," Balachandran told The DNJ. "And all the analysis they did is based on 2026 projected numbers."

FedEx has agreed to do an initial synchronization when the first phase is completed in 2019 and to revisit it in 2026, Balachandran said.

The company will also be required to submit a new traffic study when it ~~starts~~ ¹⁰⁵ on the second phase in 2026, explained Matthew Blomeley, assistant planning director.

FedEx Ground estimates the facility will be a \$189.5 million investment that will create an estimated 41 full-time jobs (/story/money/business/2016/10/05/logistics-jobs-questioned-fedex-hearing/91615028/) with an average wage of \$53,500 and 160 full-time equivalent, part-time jobs at \$24,000 annually. It is tentatively set to open in early 2018. The estimate does not include 300 drivers who are contract employees.

Reach Michelle Willard at 615-278-5164 or on Twitter @MichWillard.

Read or Share this story: <http://on.dnj.com/2fBvLyS>

Tab 10

Attachment B, IV

Schematics

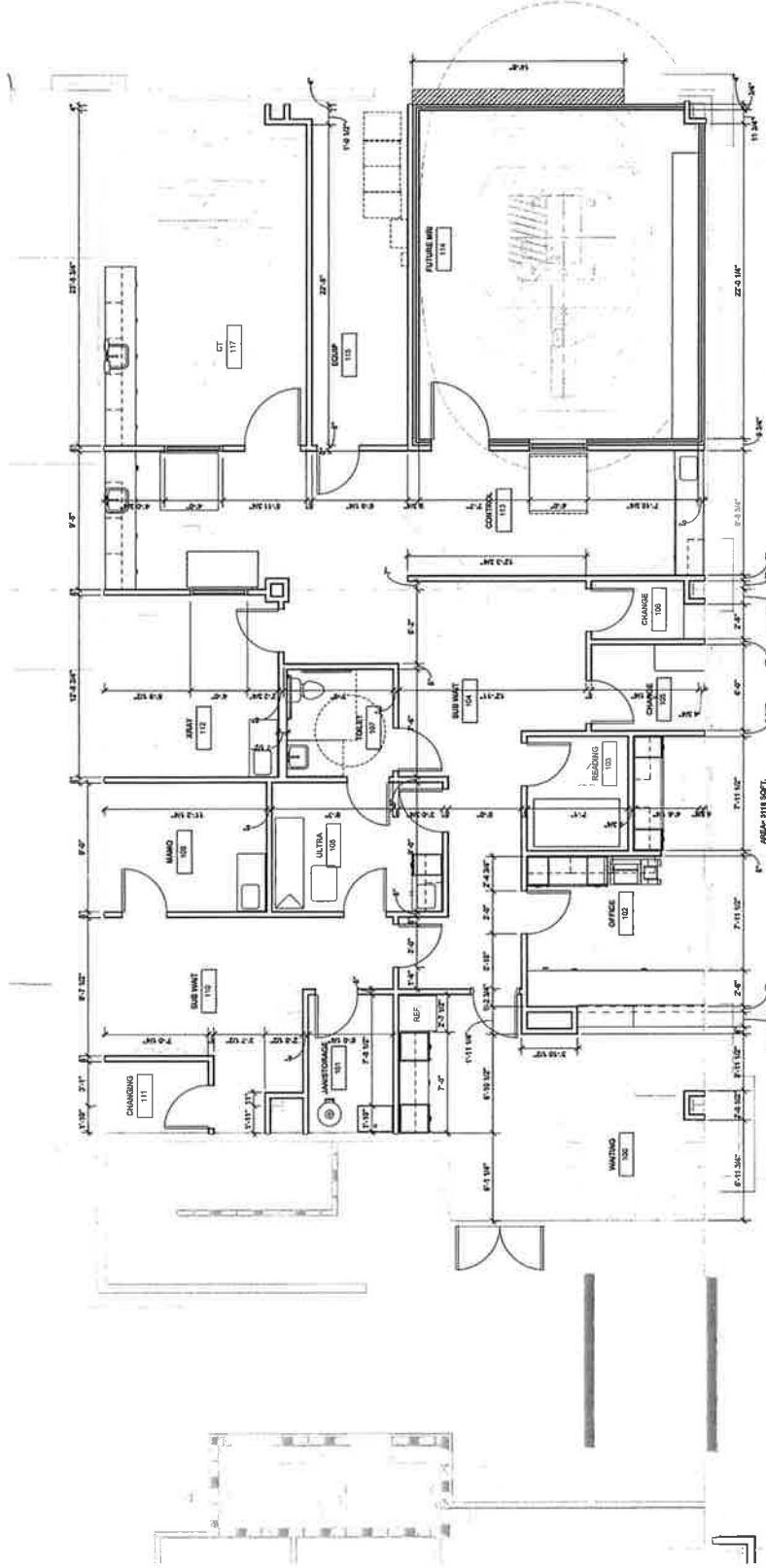
Project #:	150223
Project Architect:	MS
Drawn by:	MS
Project Director:	-
Phase:	15%
<div>Revision Schedule</div>	
Rev #	Description

01 June 2016



A111

**FIRST FLOOR
DIMENSIONED PLAN**



① FIRST FLOOR DIMENSIONED PLAN
1/4" = 1'-0"

Attachment C

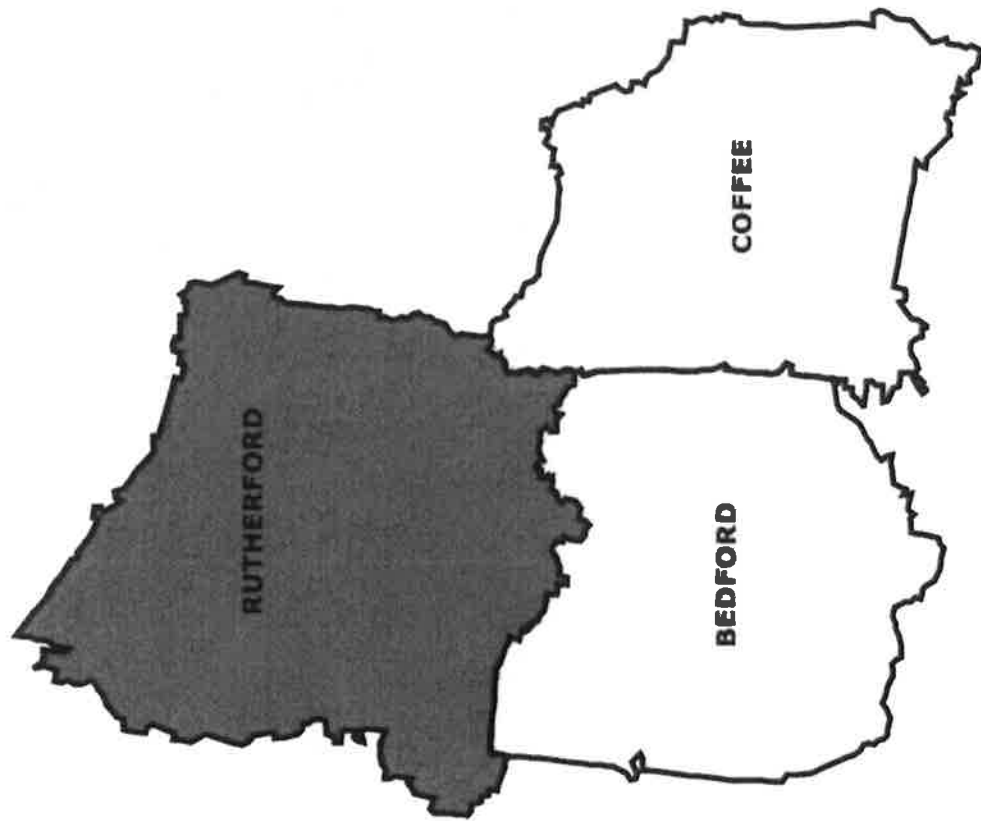
Service Area Map and Patient Origin Data
FDA Documentation
Construction Costs Verification Letter
Radiologist CVs
Service Area TennCare Population
Historical MRI and CT Utilization
Verification of Funding
Balance Sheet and Income Statement
Facility License

Tab 11

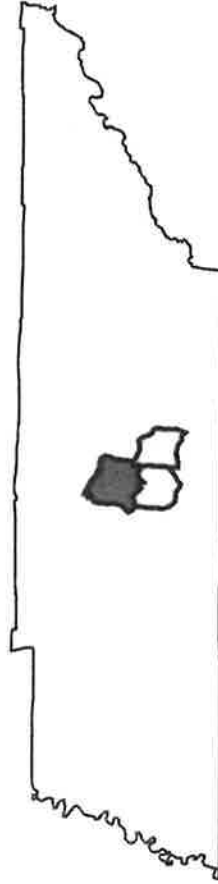
Attachment C
Need - 1

Service Area Maps

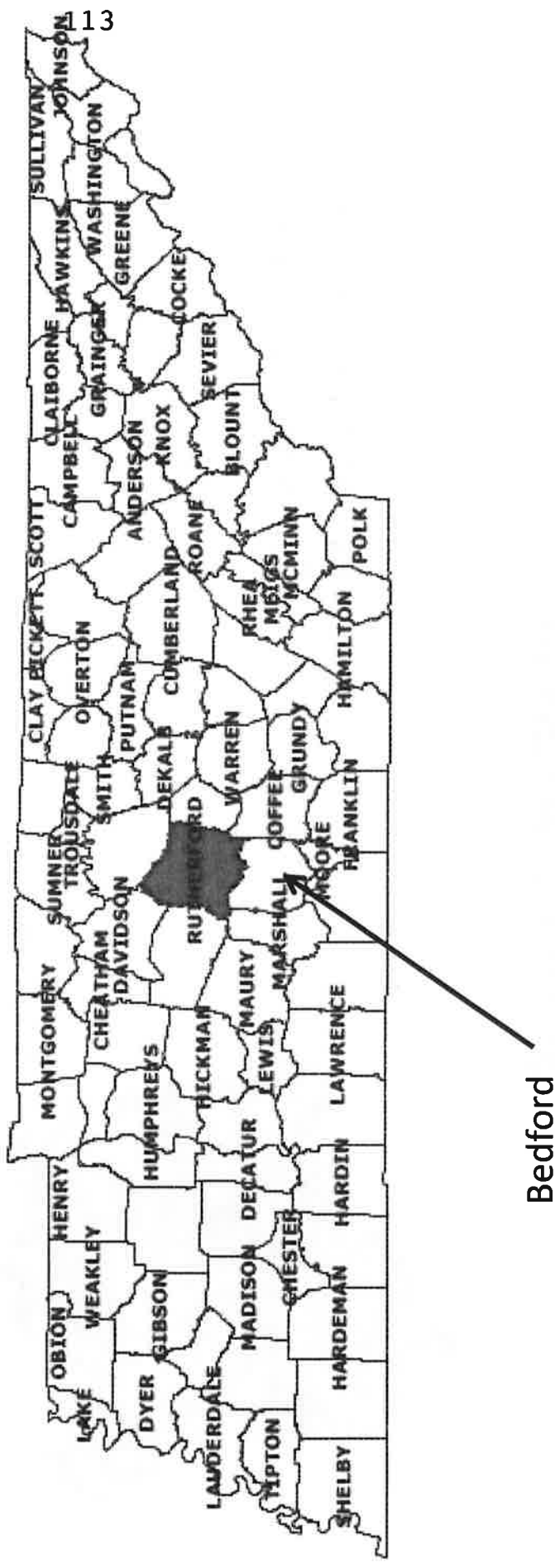
Service Area Map



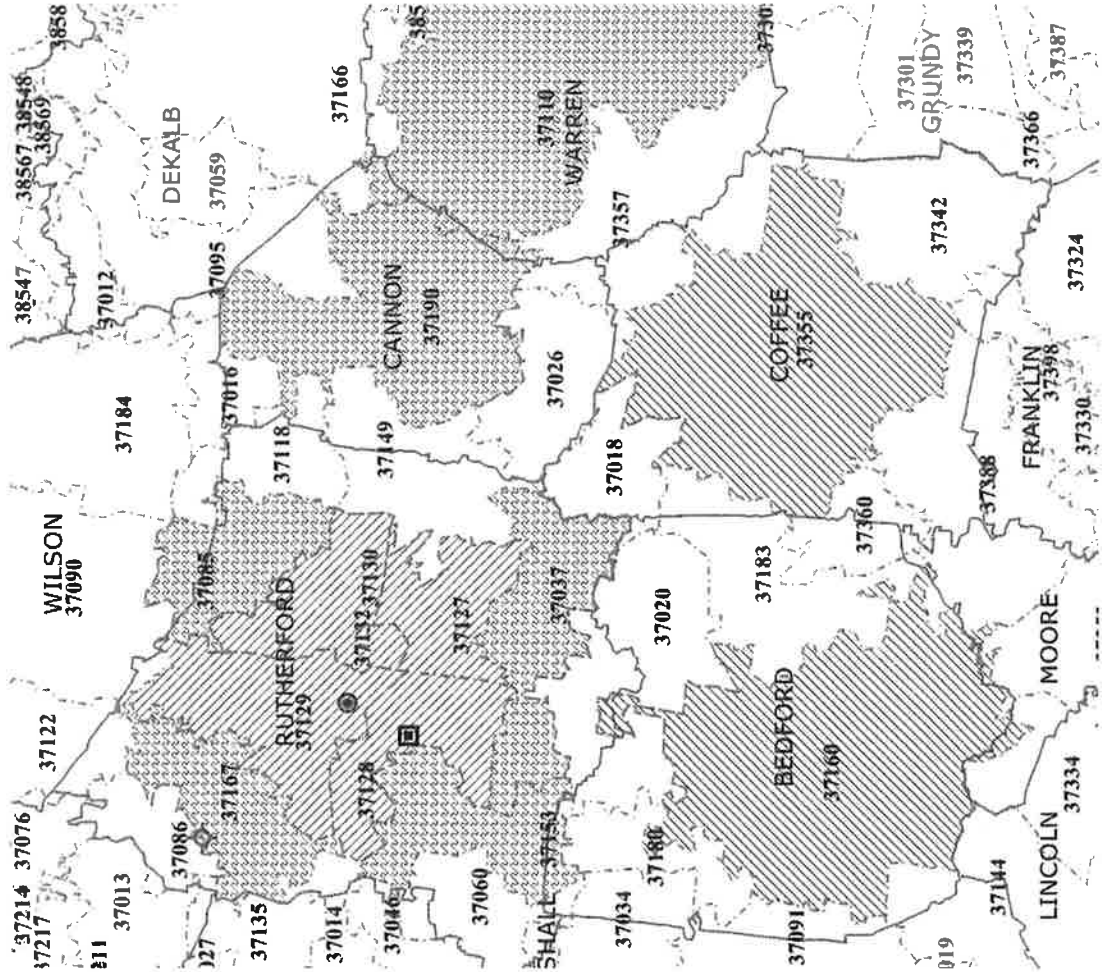
- Primary Service Area
- Secondary Service Area



Service Area Map



MTI Murfreesboro Patient Origin Map



MTI Murfreesboro Patient Origin
All Imaging Modalities

Jan - Nov 2016 (not annualized)

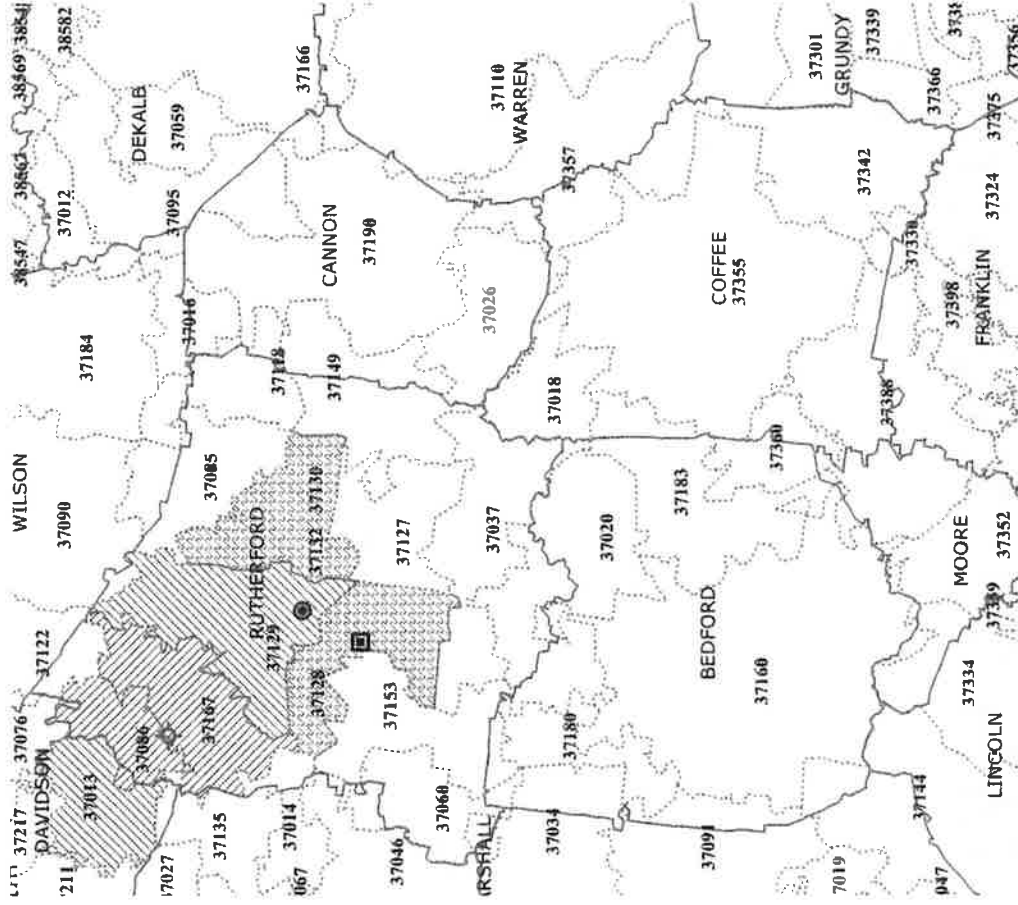
ID	Zip	Patients	Percent	Cum. Pct.
1	37129	8,826	18.0%	18.0%
2	37130	8,696	17.7%	35.8%
3	37128	7,959	16.2%	52.0%
4	37127	3,049	6.2%	58.2%
5	37355	2,094	4.3%	62.5%
6	37160	1,851	3.8%	66.3%
7	37167	1,839	3.8%	70.0%
8	37110	1,337	2.7%	72.8%
9	37037	1,271	2.6%	75.4%
10	37190	1,083	2.2%	77.6%
11	37153	887	1.8%	79.4%
12	37085	790	1.6%	81.0%
13	Others	9,314	19.0%	100.0%
14	Total	48,996	100.0%	100.0%

Source: MTI Internal Data

From 385 Zip codes

- MTI Murfreesboro
- MTI Smyrna
- Proposed Facility

MTI Smyrna Patient Origin Map



MTI Smyrna Patient Origin
All Imaging Modalities
Jan - Nov 2016 (not annualized)

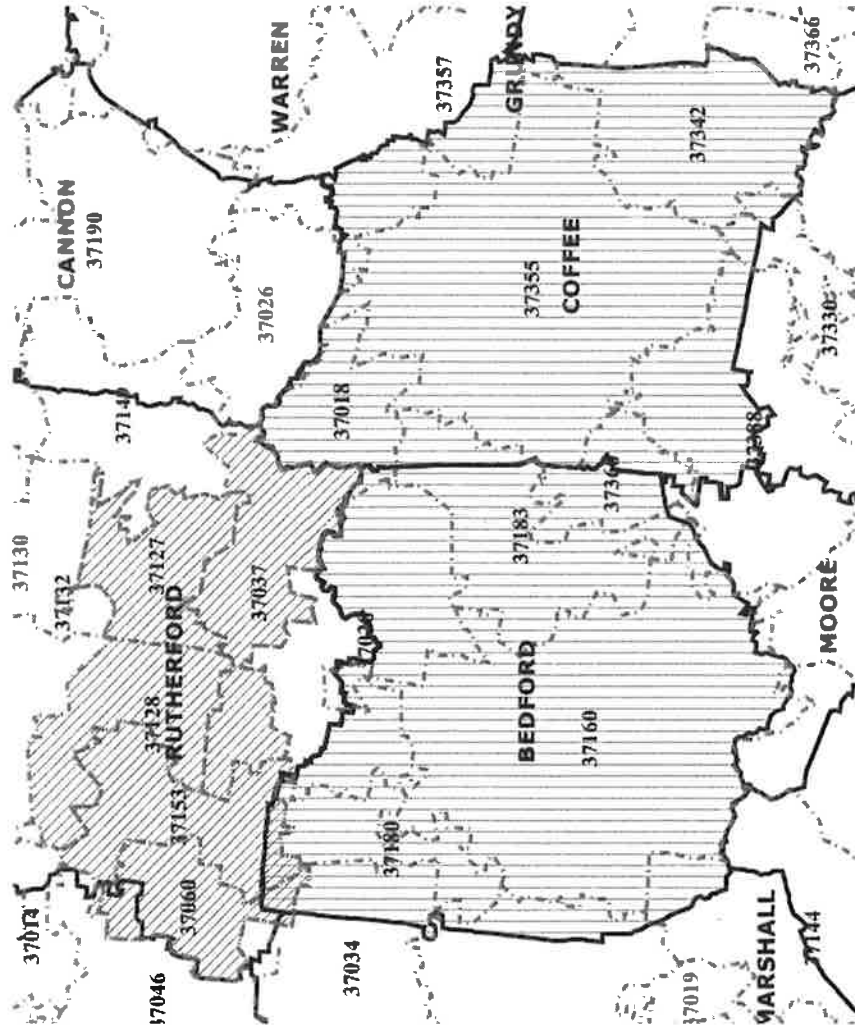
ID	Zip	Patient	pct	Cum Pct.
1	37167	7,387	36.1%	36.1%
2	37086	4,409	21.6%	57.7%
3	37013	2,242	11.0%	68.7%
4	37129	1,746	8.5%	77.2%
5	37128	737	3.6%	80.8%
6	37130	688	3.4%	84.2%
7	Others	3,230	15.8%	100.0%
8	Total	20,439	100.0%	100.0%

Source: MTI Internal Data

From 236 Zip codes

- MTI Murfreesboro
- MTI Smyrna
- Proposed Facility

MTI New Salem Map



MTI Murfreesboro Patient Origin

MRI Only

Year 2 Projection

ID	Zip	Patients	Percent	Cum. Pct.
1	Rutherford Total	1,582	62.3%	62.3%
2	Bedford Total	422	16.6%	78.9%
3	Coffee Total	410	16.1%	95.0%
4	Other	126	5.0%	100.0%
5	Total	2,540	100.0%	100.0%

Attachment B
Need - 1

Construction Costs Verification Letter


The Conseco Group, Inc.

 2601 Westwood Drive
 Nashville, TN 37204

 P: (615) 298-9907
 F: (615) 298-1024

Revision: Original

Premier Radiology - MRI / CT Expansion
New Salem Road
2723 New Salem Highway
Murfreesboro, TN 37128

Printed On:
 01/05/2017

Please find enclosed industry standard sectional Division pricing breakdown

The construction will conform to all applicable local, state and national building requirements.

Division	Total
01 General Conditions	\$22,957.77
03 Concrete	\$8,741.43
06 Carpentry	\$1,770.60
08 Doors, Windows & Glass	\$7,211.64
09 Finishes	\$12,064.84
10 Specialities	\$523.88
11 Equipment Related	\$94,172.52
12 Furnishings	\$1,994.24
15 Mechanical	\$49,248.91
16 Electrical	\$15,700.22
PC Permit Cost	<u>\$8,819.20</u>
Total	\$223,205.25
Cost/Sq. Foot (Sq Ft): 726.00	\$307.45

The above pricing includes all labor, materials and equipment to complete the scope of work as per the drawings provided. We have included any insurance and taxes required by state law.

We appreciate the opportunity to be included in this project, if you have any questions, please feel free to call.

Thank you,

Wayne Bratcher

Tab 14

Attachment C
Economic Feasibility - 2

Verification of Funding

**Premier
Radiology**



**Saint Thomas
Health**

Belle Meade
Brentwood
Briarville
Cool Springs
Hendersonville
Hermitage
Mount Juliet
Midtown
Murfreesboro
Nashville
Smyrna

January 31, 2017

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
502 Deaderick Street
Andrew Jackson Bldg., 9th Floor
Nashville, Tennessee 37243

RE: Middle Tennessee Imaging's CON Licensure Request to Provide Fixed Site MRI & CT Services in the New Salem area of Murfreesboro, TN.

Dear Ms. Hill:

Middle Tennessee Imaging, LLC (d/b/a Premier Radiology) has sufficient resources available to fund all costs required for the development and establishment of the project as set forth in the certificate of need application. The funding needed for Administrative, Architectural, Engineering, Construction, Lease, and Equipment costs appears to be approximately \$2,635,507. Cash-on-hand will be used to fund this project, noting that \$1,095,925 of the costs relate to the lease which will be funded over the lease term from the operating revenue of the center.

If you need additional information, please feel free to contact me. My number is 615-239-2039.

Sincerely,

Mark Gaw
CFO

Tab 18

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census - 2015				TennCare	
	Total Population Current Year - 2017	Total Population Projected Year - 2021	Total Population - % Change	*Target Population (Age 65+) - Current Year 2017	*Target Population (Age 65+) - Projected Year 2021	*Target Population % Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Persons Below Poverty Level	Persons Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
Bedford	50,845	54,178	1.6%	7,993	9,299	3.9%	17.2%	36.6	\$41,984	7,727	17.1%	13,711	27.0%
Coffee	56,423	58,331	0.8%	10,532	11,980	3.3%	20.5%	39.7	\$41,590	9,818	18.6%	14,500	25.7%
Rutherford	328,279	367,508	2.9%	33,820	42,878	6.1%	11.7%	32.9	\$56,219	34,475	12.4%	54,114	16.5%
Service Area Total	435,547	480,017	2.5%	52,345	64,157	5.2%	13.4%	N/A	N/A	N/A	N/A	82,325	18.9%
State of TN Total	6,887,572	7,179,512	1.0%	1,133,025	1,312,118	3.7%	18.3%	38.4	\$45,219	1,117,594	17.6%	1,565,932	22.7%

Source: TN DOH Health Statistics; Bureau of the Census - 2015; Bureau of TennCare - November 2016

Attachment B

Balance Sheet and Income Statement

Middle Tennessee Imaging, LLC

Balance Sheet

November 30, 2016

	Balance
ASSETS	
Current Assets	
Cash	2,097,090
Account Receivable	25,755,447
Due from Affiliates	2,059,953
Allowances	(19,644,701)
Prepaid Expenses	134,319
Deposits	76,894
Total Current Assets	10,479,000
Fixed Assets	
Vehicles	232,069
Operating Equipment	28,084,722
Leasehold Improvements	9,524,380
Land	967,099
Buildings	1,860,221
Accumulated Depreciation	(27,382,334)
Net Fixed Assets	13,286,157
Intangibles Assets	
Goodwill	600,000
TOTAL ASSETS	24,365,157
LIABILITIES AND EQUITY	
Current Liabilities	
Accounts Payable	1,476,733
Due to Affiliates	3,153,550
Accrued Expenses	1,313,285
Building Deposits Returnable	4,207
Line of Credit	2,000,000
Current Portion of Notes Payable	4,084,423
Other Current Liabilities	60,203
Total Current Liabilities	12,092,402
Notes and Loan Payables	
Notes Payable, Net of Current Portion	6,207,744
Other Long-Term Liabilities	-
Total Long-Term Liabilities	6,207,744
Total Liabilities	18,300,147
Equity	
Owner Capital	7,108,225
Owner Distributions	(46,850,000)
Retained Earnings	38,061,077
YTD Net Income	7,745,709
Total Equity	6,065,011
TOTAL LIABILITIES AND EQUITY	24,365,157

Middle Tennessee Imaging, LLC

Income Statement

Period and Year to Date Compare to Last Year
For the Period from Nov 1, 2016 to Nov 30, 2016

	Current Period		Year to Date		Last Year to Date	
Revenue						
Global Patient Charges	19,746,731	518%	207,073,305	518%	170,652,979	-508%
Reserve for Contractual Allowances	(14,118,913)	-371%	(148,035,243)	-370%	(121,889,781)	363%
Reserve for Charity Care	(118,398)	-3%	(1,241,148)	-3%	(1,022,741)	3%
Net Patient Revenue	5,509,420	145%	57,796,915	145%	47,740,458	-142%
Physicians Services	(1,146,698)	-30%	(12,007,471)	-30%	(9,369,703)	28%
Bad Debt	(552,526)	-15%	(5,792,022)	-14%	(4,772,790)	14%
Net Technical Revenue	3,810,196	100%	39,997,422	100%	33,597,965	-100%
Net Earnings from STHS Hospitals	50,000	1%	542,225	1%	356,248	-1%
Non-Medical Revenue						
Hermitage Building Rent	26,309	1%	289,398	1%	296,898	-1%
Other Revenue	6,506	0%	149,571	0%	271,152	-1%
Total Non-Medical Revenue	32,815	1%	438,969	1%	568,050	-2%
Net Technical and Other Revenue	3,893,010	102%	40,978,616	102%	34,522,263	-103%
Operating Expenses						
Staff Compensation & Benefits	1,109,085	29%	10,756,328	27%	9,708,784	-29%
Leased Medical Equipment	7,865	0%	86,516	0%	87,172	0%
Rents & Other Leases	247,325	6%	2,660,763	7%	2,606,367	-8%
Insurance	32,407	1%	359,539	1%	334,320	-1%
Non-Clinical Supplies	63,306	2%	793,931	2%	627,502	-2%
Clinic Supplies	317,768	8%	4,050,985	10%	2,995,366	-9%
RIS/PACS Services	64,781	2%	688,548	2%	590,934	-2%
Management Fee	85,782	2%	900,179	2%	756,524	-2%
Billing & Collection Agency Fees	258,127	7%	2,671,913	7%	2,122,198	-6%
Other Purchased Services	80,674	2%	776,334	2%	619,395	-2%
Telecommunications	32,002	1%	397,408	1%	354,655	-1%
Transport, Meals, & Entertainment	17,907	0%	104,410	0%	82,920	0%
Repairs & Maintenance	342,314	9%	3,649,236	9%	3,298,921	-10%
Other Operating Expenses	113,015	3%	1,436,910	4%	1,228,035	-4%
Total Operating Expenses	2,772,358	73%	29,332,999	73%	25,413,094	-76%
Net Operating Income (EBITDA)	1,120,652	29%	11,645,618	29%	9,109,169	-27%
Non-operating Income & Expense						
Depreciation & Amortization	290,752	8%	3,248,843	8%	3,359,102	-10%
Interest Expense	31,387	1%	419,137	1%	506,115	-2%
Gain or Loss on Asset Disposal	-	0%	4,615	0%	-	0%
Total Non-Operating Income & Expense	322,140	8%	3,672,594	9%	3,865,217	-12%
Net Income Before Taxes	798,513	21%	7,973,023	20%	5,243,952	-16%
Provision for Income Taxes	24,333	1%	227,314	1%	143,992	0%
Net Income	774,179	20%	7,745,709	19%	5,099,960	-15%

Attachment D

Copy of Published Public Notice

Middle Tennessee's Marketplace for buyers, sellers and job seekers.

NOTIFICATION OF INTENT TO APPLY FOR A

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with Tenn. Code Ann. § 68-11-1001 et seq., and the Rules of the Health Services and Development Agency, that Middle Tennessee Imaging, LLC (Middle Tennessee Imaging), an existing outpatient diagnostic imaging center (OIC) provider, owned by: Middle Tennessee Imaging, LLC, with an ownership type of limited liability company and to be managed by: PhyData, LLC, intends to file an application for the establishment of a new ODC, the initial accumulation of MRI and CT services, and the accumulation of a fixed 1.5T MRI unit and a fixed 16-slice CT unit, all at 2723 New Salem Highway in Murfreesboro, TN, 37128 (Rutherford County). The proposed project supports Middle Tennessee Imaging, LLC's x-ray, mammography and ultrasound services at the Saint Thomas Health - New Salem primary care site. As part of the proposed 1.5T new health care medical office space will be renovated to house the one fixed MRI and one fixed CT units. Total project costs are estimated to be \$1,311,411.96.

The anticipated date of filing the application is January 13, 2017. The contact person for this project is Mark Guck, Chief Financial Officer, who may be reached at PhylData, LLC, 3024 Business Park Circle, Gadsdenville, TN, 37072, 615-239-2039.

Health Services and Development Agency
Andrew Jackson Building, 9th Floor

Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-160(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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Supplemental #1 -COPY-

Middle TN Imaging LLC

CN1701-003

Copy #1

January 26, 2017**3:13 pm**

January 26, 2017

Hand Delivery

Phillip Earhart, HSD Examiner
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application, CN1701-003, Mid-TN Imaging, LLC d/b/a Premier Radiology

Establishment of a New ODC and Initiation of MRI and CT Services

Dear Mr. Earhart:

Thank you for your letter of January 20, 2017 confirming receipt of our application for a Certificate of Need for the establishment of an Outpatient Diagnostic Center, initiation of MRI services, and acquisition of a fixed MRI unit in leased space at 2723 New Salem Highway, Murfreesboro (Rutherford County), TN.

As requested, supplemental responses are provided in triplicate by the 4:00 p.m., January 26, 2017 deadline along with a notarized affidavit.

1. Section A., Project Details, Name of Management/Operating Entity

The management agreement in Attachment Section A-5 is noted. However, the initial term of the agreement was through March 31, 2012 renewable for one year. Please clarify.

RESPONSE: The management agreement has automatically renewed for successive terms and remains in force.

2. Section A, Project Details, Item 6 B (1) (Plot Plan) and 6 B (3) (Transportation Routes)

Please provide a copy of the plot plan that includes the size of the site, locations of structure on the site, location of proposed renovation/construction, and names of streets, roads or highway that cross or border the site.

Please describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients. Please refer to attachments as supporting documentation of your narrative response.

RESPONSE: A copy of the plot plan is provided in **Attachment A**. The acreage (3.04) is noted below the legend box.

The City of Murfreesboro has a public bus transportation system called Rover. There are several routes emanating from downtown to several areas near Murfreesboro, but there are no routes along New Salem Highway (SR-99) itself.

Although this suburban site does not have direct access to public transportation, Murfreesboro is the county seat of Rutherford County. Rutherford County is adjacent to Davidson County (Nashville) to the southeast. Murfreesboro is centrally located in Rutherford County. Interstate 24 (I-24) bisects the county at a diagonal. The downtown area of Murfreesboro is approximately 1.5 miles northeast of I-24 and the New Salem site is located approximately 3 miles southwest from I-24 along New Salem Highway (SR-99).

Approximately one mile further southwest, along SR-99, is Veterans Parkway, a thoroughfare that connects residents of south Murfreesboro and US Highway 231 with Interstate 840, a beltway along the south Nashville area.

SR-99 is a two-lane highway that is experiencing new business development. The daily annual average traffic count in 2014 near the proposed site was 16,437. This was up from 13,164 in 2012, a 24.9% increase in just two years. By way of comparison, the daily average annual traffic count in 2014 between I-24 and downtown Murfreesboro was 20,158. This traffic count is supportive of the County's decision to widen SR-99 from downtown to Veterans Parkway at a cost of \$25,364,000. Three other current projects along Veterans Parkway totaling \$32,500,000 demonstrate that the entire area proximate to the proposed site is vital economically to the county and ensures that the public will be able to easily access the proposed site.

3. Section A, Project Details, Item 13 (MRI, PET, Linear Accelerator)

It is noted the applicant will purchase a \$445,000 MRI. Please clarify whether the unit will be refurbished and identify the age of the equipment.

RESPONSE: Yes, the equipment will be refurbished. The exact age of the equipment cannot be determined until the CON application is approved and a financial contract can be completed with the vendor. The vendor is simply unable to guarantee that a specific piece of equipment will be held in inventory without a purchase contract in force. However, the supply is sufficient to assure that a unit with the proposed specifications will be available for purchase pending CON approval.

4. Section B, Need, Item 1 (Project Specific Criteria-Outpatient Diagnostic Center 1.)

Your response to this item is noted but does not answer the question. Please identify the other MRI providers in the proposed service area and explain why those services are not adequate and/or whether there are special circumstances requiring additional services.

RESPONSE: As indicated in the table below, the three-county service area receives MRI services from three ODCs, five hospitals and two physician-owned practices.

County	MRI
	ODC
Rutherford	MTI Rutherford
Rutherford	MTI Smyrna
Rutherford	The Image Ctr. Of Murfreesboro
	Hospital
Rutherford	Saint Thomas Rutherford
Rutherford	TriStar Stonecrest
Bedford	Heritage Medical Center
Coffee	Harton Regional
Coffee	Unity Medical Center
	Physician Owned
Rutherford	Murfreesboro Med Clinic-Garrison Drive
Rutherford	Tennessee Orthopaedic Alliance Imaging

ODC utilization has risen steadily from 69.0% utilization in 2013 to 78.5% utilization in 2014 to 85.2% utilization in 2015. Stated differently, the ODC MRI procedures increased by 2,922. Coupled with high utilization, this is more than enough growth to support another MRI unit in the area. This is especially true when population growth and the aging of the population is considered.

ODCs are reimbursed at lower rates than hospital outpatient departments, saving money for both patients (deductibles and copayments) and payors (government and private). This demand is not expected to abate anytime soon. Therefore, hospitals are not a cost effective alternative to ODCs.

With respect to physician owned MRI units, these services are restricted to the patients within their own practices and are not available to the general population. Furthermore, the physicians at these particular facilities may not be adequately trained to interpret studies outside their own specialty. These limitations greatly reduce the general availability of these MRI units within the community at large.

5. Section B, Need, Item 1 (Project Specific Criteria-Outpatient Diagnostic Center 2.)

Please provide an analysis of the MRI providers in the proposed service area that have attained procedure volume at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve month period reflected in the provider medical equipment report maintained by the HSDA.

RESPONSE: This information, for the last three years, is provided in **Attachment B.**

6. Section B, Need, Item 1 (Project Specific Criteria-Outpatient Diagnostic Center 3.a)

Please analyze the needs of both medical and outpatient diagnostic facilities and services in the proposed service area. Do not refer to other sections of the application to document your response.

RESPONSE: Saint Thomas Health will open a new primary care center on March 1, 2017. The center will be located in a newly constructed medical office building at 2723 New Salem Highway in Murfreesboro (Rutherford County).

Both the Saint Thomas Health - New Salem primary care site and MTI's New Salem imaging site were selected to deliver patient care closer to where patients live. The New Salem area is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford. Traffic between New Salem and downtown Murfreesboro is a growing concern, causing access issues to existing providers.

To support these Saint Thomas Health physicians and their patients, as well as other physicians and residents of the community, MTI will provide imaging services for Saint Thomas Health - New Salem including x-ray, mammography and ultrasound services. These services will be available when the center opens in February. In addition, to complementing the range of imaging modalities that will be available at the center (x-ray, mammography and ultrasound), MTI is proposing to develop a new ODC which will provide onsite MRI and CT services.

In 2015, Rutherford County, Bedford County and Coffee County accounted for 33,497 MRI procedures or 83.7 MRIs per 1,000 population. By comparison, the use rate for the state of Tennessee was 89.4 MRI procedures per 1,000, 6.8 percent higher than the service area's use rate. The lower use rate, especially in Bedford County and Coffee County, suggests that service area residents have more limited access to MRI services and that these areas are underserved for MRI services. Please see the following:

2015 MRI Utilization and Use Rates

	Procedures	Population	Use Rate/1,000	% of State
Rutherford	25,536	298,606	85.5	95.6%
Bedford	3,778	47,185	80.1	89.6%
Coffee	4,183	54,282	77.1	86.2%
Total	33,497	400,073	83.7	93.6%
Statewide	590,347	6,600,211	89.4	

Source: Medical Equipment Registry

MTI New Salem expects that with **1)** population growth in the service area and **2)** improved access to MRI services and a concomitant increase in the area's use rate to that of the state's use rate (89.4/1,000), the number of service area MRIs will increase significantly. The projected increase in MRI procedures is expected to generate more than 9,400 additional MRI procedures by 2021, sufficient volume to accommodate approximately three MRI units. Please see the following analysis, which projects 2021 MRI volume for Rutherford County, Bedford County and Coffee County:

2021 Projected MRI Utilization

	2021 Population	2015 TN Use Rate	2021 Projected MRIs	2015 Actual MRIs	Incremental Growth
Rutherford	367,508	89.4	32,855	25,536	7,319
Bedford	54,178	89.4	4,844	3,778	1,066
Coffee	58,331	89.4	5,215	4,183	1,032
Total	480,017		42,914	33,497	9,417
Need @2,880/Unit					3.3
Need @3,600/Unit					2.6

Note: Use rate represents the 2015 Tennessee statewide MRI use rate/1,000

Sources: TN DOH Population Statistics and Medical Equipment Registry

MTI-New Salem can achieve its volume projections solely from incremental MRI growth in the service area. From 2017 to 2021, the service area will account for almost 3,800 incremental MRI procedures, significantly more than MTI-New Salem's Year 3 projection of 2,883 procedures. Therefore, the impact of the proposed project on existing MRI providers should be minimal. In fact, if the projected incremental MRI procedures for the entire population of Rutherford, Bedford and Coffee counties are considered, 9,417 MRIs, there is sufficient volume for MTI-New Salem's project as well as for existing underutilized MRI providers to achieve higher volumes.

With respect to CT, MTI has projected the these volumes for its New Salem center based on its historical ratio of CT to MRI procedures. Historically, MTI's CT volume has accounted for approximately 77 percent of its MRI volume. Assuming that this ratio holds for its New Salem center, MTI anticipates the following CT volumes for Year 1, Year 2, and Year 3:

MTI-New Salem CT Volume Projections

	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
Projected MRIs	2,164	2,540	2,883
MTI Ratio of CT to MRI	.77	.77	.77
Projected CTs	1,666	1,956	2,220

Existing CT providers are well-utilized and MTI does not expect that its New Salem CT service will have an adverse impact on any existing unit. Based on the most recent year of data (2015), there are 18 CT units in Rutherford County, Bedford County and Coffee County. In 2015, these 18 units accounted for 87,090 procedures or 4,838 procedures per unit. Using the capacity standard of 6,000 procedures per unit, these CT operated at a healthy 80.6 percent of capacity. Please see the following exhibit:

2015 Area-wide CT Utilization

County	Facility	Procedures	Units	% of Capacity
Rutherford	MTI Rutherford	5,262	1	87.7%
Rutherford	MTI Smyrna	1,706	1	28.4%
Rutherford	TN PET Scan Ctr LLC	7,388	1	123.1%
Rutherford	The Image Ctr. Of Murfreesboro	2,743	1	45.7%
	ODC Total	17,099	4	71.2%
Rutherford	Saint Thomas Rutherford	25,091	2	209.1%
Rutherford	TriStar Stonecrest	18,364	2	153.0%
Rutherford	Trustpoint	N/A	N/A	N/A
Bedford	Heritage M.C.	5,099	1	85.0%
Coffee	Harton Regional	9,170	2	76.4%
Coffee	United Regional Medical Ctr	2,635	1	43.9%
Coffee	MC of Manchester	1,607	1	26.8%
Coffee	Unity Medical Center	3,347	2	27.9%
	Hospital Total	65,313	11	99.0%
Rutherford	Murfreesboro Medical Clinic-Garrison Drive	4,343	2	36.2%
Rutherford	Saxena, Rishi MD	335	1	5.6%
	PO Physician Owned Total	4,678	3	26.0%
	Grand Total	87,090	18	80.6%

Source: HSDA Medical Equipment Registry

In summary, MTI's proposal to develop an ODC and establish MRI and CT services in Saint Thomas Health-New Salem's primary care center will have a positive impact on the delivery of high tech imaging services for the residents of southern Rutherford County, Bedford County and Coffee County. Based on statewide use rates, MTI-New Salem's service area has limited access to high tech imaging services, especially MRI services. MTI's project will increase the availability of MRI and CT services as well as improve access to these services. Because of the strong population growth that has been projected for the service area, MTI will be able to achieve sufficient volumes to meet HDSA's standards with modest market capture. In fact, the projected growth in MRIs not only supports the need for MTI's project but also allows existing, underutilized units to achieve higher volumes as well. In addition, current CT units in the area are highly utilized and are not expected to be negatively impacted by MTI-New Salem new CT service.

7. Section B, Need, Item 1 (Project Specific Criteria-Outpatient Diagnostic Center 3.b)

The applicant listed several needs and circumstances describing the need for an ODC and/or MRI. However, as directed please analyze with a narrative response to each listed special need and circumstance.

RESPONSE: Special needs and circumstances include:

- High utilization of existing providers - ODC MRI utilization has risen steadily from 69.0% utilization in 2013 to 78.5% utilization in 2014 to 85.2% utilization in 2015. Stated differently, the ODC MRI procedures increased by 2,922. Coupled with high utilization, this is more than enough growth to support another MRI unit in the area.
- Rapid population growth - MTI-New Salem's service area has a projected 2017 population of 196,748. From 2017 to 2021, the overall service area will grow by approximately 12,651 residents, a 1.6 percent annual growth rate, reaching 209,399 total residents. The PSA (Rutherford County zip codes) is projected to have especially strong growth, 2.0 percent annually. By comparison, the state will grow by a projected 1.0 percent annually.

The senior population (65 years of age and older) in the service area is growing at an even faster rate than the total population. The growth in the senior population is significant given that seniors utilize healthcare resources (including imaging services such as MRI and CT) at a higher rate than younger age groups. Projections indicate that between 2017 and 2021, the senior population will grow from 27,658 residents to 32,750 residents, an increase of 5,092 seniors, representing a 4.3 percent annual increase. Moreover, seniors will account for over 40 percent of the service area's population growth between 2017 and 2021. Again, a significant portion of the growth in the senior population will be in the PSA, which will grow by a projected 5.9 percent annually.

- Traffic congestion adversely impacting patient access - SR-99 is a two-lane highway that is experiencing new business development. The daily annual average traffic count in 2014 near the proposed site was 16,437. This was up from 13,164 in 2012, a 24.9% increase in just two years. By way of comparison, the daily average annual traffic count in 2014 between I-24 and downtown Murfreesboro was 20,158. This traffic count is supportive of the County's decision to widen SR-99 from downtown to Veterans Parkway at a cost of \$25,364,000. Three other current projects along Veterans Parkway totaling \$32,500,000 demonstrate that the entire area proximate to the proposed site is vital economically to the county and ensures that the public will be able to easily access the proposed site.
- The provision of lower cost ODC services compared to higher cost hospital outpatient department (HOPD) rates - ODCs are reimbursed at lower rates than hospital outpatient departments, saving money for both patients (deductibles and copayments) and payors (government and private). This demand is not expected to abate anytime soon. Therefore, hospitals are not a cost effective alternative to ODCs.

8. Section B, Need, Item 1 (Project Specific Criteria-Magnetic Resonance Imaging 1.a.)

Please provide a narrative response along with supportive data. Do not refer to other sections of the application to document your response.

RESPONSE: Saint Thomas Health will open a new primary care center on March 1, 2017. The center will be located in a newly constructed medical office building at 2723 New Salem Highway in Murfreesboro (Rutherford County).

Both the Saint Thomas Health - New Salem primary care site and MTI's New Salem imaging site were selected to deliver patient care closer to where patients live. The New Salem area is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford. Traffic between New Salem and downtown Murfreesboro is a growing concern, causing access issues to existing providers.

To support these Saint Thomas Health physicians and their patients, as well as other physicians and residents of the community, MTI will provide imaging services for Saint Thomas Health - New Salem including x-ray, mammography and ultrasound services. These services will be available when the center opens in February. In addition, to complementing the range of imaging modalities that will be available at the center (x-ray, mammography and ultrasound), MTI is proposing to develop a new ODC which will provide onsite MRI and CT services.

In 2015, Rutherford County, Bedford County and Coffee County accounted for 33,497 MRI procedures or 83.7 MRIs per 1,000 population. By comparison, the use rate for the state of Tennessee was 89.4 MRI procedures per 1,000, 6.8 percent higher than the service area's use rate. The lower use rate, especially in Bedford County and Coffee County, suggests that service area residents have more limited access to MRI services and that these areas are underserved for MRI services. Please see the following:

2015 MRI Utilization and Use Rates

	Procedures	Population	Use Rate/1,000	% of State
Rutherford	25,536	298,606	85.5	95.6%
Bedford	3,778	47,185	80.1	89.6%
Coffee	4,183	54,282	77.1	86.2%
Total	33,497	400,073	83.7	93.6%
Statewide	590,347	6,600,211	89.4	

Source: Medical Equipment Registry

MTI New Salem expects that with 1) population growth in the service area and 2) improved access to MRI services and a concomitant increase in the area's use rate to that of the state's use rate (89.4/1,000), the number of service area MRIs will increase significantly. The projected increase in MRI procedures is expected to generate more than 9,400 additional MRI procedures by 2021, sufficient volume to accommodate approximately three MRI units. Please see the following analysis, which projects 2021 MRI volume for Rutherford County, Bedford County and Coffee County:

2021 Projected MRI Utilization

	2021 Population	2015 TN Use Rate	2021 Projected MRIs	2015 Actual MRIs	Incremental Growth
Rutherford	367,508	89.4	32,855	25,536	7,319
Bedford	54,178	89.4	4,844	3,778	1,066
Coffee	58,331	89.4	5,215	4,183	1,032
Total	480,017		42,914	33,497	9,417
Need @2,880/Unit					3.3
Need @3,600/Unit					2.6

Note: Use rate represents the 2015 Tennessee statewide MRI use rate/1,000

Sources: TN DOH Population Statistics and Medical Equipment Registry

MTI-New Salem can achieve its volume projections solely from incremental MRI growth in the service area. From 2017 to 2021, the service area will account for almost 3,800 incremental MRI procedures, significantly more than MTI-New Salem's Year 3 projection of 2,883 procedures. Therefore, the impact of the proposed project on existing MRI providers should be minimal. In fact, if the projected incremental MRI procedures for the entire population of Rutherford, Bedford and Coffee counties are considered, 9,417 MRIs, there is sufficient volume for MTI-New Salem's project as well as for existing underutilized MRI providers to achieve higher volumes.

9. Section B, Need, Item 1 (Project Specific Criteria-Magnetic Resonance Imaging 4.a.)

Please provide a narrative response along with supportive data. Do not refer to other sections of the application to document your response.

RESPONSE: As indicated in **Attachment C**, ODC MRI utilization has risen steadily from 69.0% utilization in 2013 to 78.5% utilization in 2014 to 85.2% utilization in 2015. Stated differently, the ODC MRI procedures increased by 2,922. Coupled with high utilization, this is more than enough growth to support another MRI unit in the area. This is especially true when population growth and the aging of the population is considered.

ODCs are reimbursed at lower rates than hospital outpatient departments, saving money for both patients (deductibles and copayments) and payors (government and private). This demand is not expected to abate anytime soon. Therefore, hospitals are not a cost effective alternative to ODCs.

With respect to physician owned MRI units, these services are restricted to the patients within their own practices and are not available to the general population. Furthermore, the physicians at these particular facilities may not be adequately trained to interpret studies outside their own specialty. These limitations greatly reduce the general availability of these MRI units within the community at large.

As indicated in **Attachment C**, total MRI utilization has increased 7.04% per year from 2013 to 2015, despite low service area MRI utilization rates (77.1/1,000 to 85.5/1,000) compared to Tennessee overall (89.4/1,000)

2015 MRI Utilization and Use Rates

	Procedures	Population	Use Rate/1,000	% of State
Rutherford	25,536	298,606	85.5	95.6%
Bedford	3,778	47,185	80.1	89.6%
Coffee	4,183	54,282	77.1	86.2%
Total	33,497	400,073	83.7	93.6%
Statewide	590,347	6,600,211	89.4	

Source: Medical Equipment Registry

Furthermore, MTI-New Salem's service area has a projected 2017 population of 196,748. From 2017 to 2021, the overall service area will grow by approximately 12,651 residents, a 1.6 percent annual growth rate, reaching 209,399 total residents. The PSA (Rutherford County zip codes) is projected to have especially strong growth, 2.0 percent annually. By comparison, the state will grow by a projected 1.0 percent annually.

The senior population (65 years of age and older) in the service area is growing at an even faster rate than the total population. The growth in the senior population is significant given that seniors utilize healthcare resources (including imaging services such as MRI and CT) at a higher rate than younger age groups. Projections indicate that between 2017 and 2021, the senior population will grow from 27,658 residents to 32,750 residents, an increase of 5,092 seniors, representing a 4.3 percent annual increase. Moreover, seniors will account for over 40 percent of the service area's population growth between 2017 and 2021. Again, a significant portion of the growth in the senior population will be in the PSA, which will grow by a projected 5.9 percent annually.

As illustrated below, MTI-New Salem can achieve its volume projections solely from incremental MRI growth in the service area. From 2017 to 2021, the service area will account for almost 3,800 incremental MRI procedures, significantly more than MTI-New Salem's Year 3 projection of 2,883 procedures. Therefore, the impact of the proposed project on existing MRI providers should be minimal. In fact, if the projected incremental MRI procedures for the entire population of Rutherford, Bedford and Coffee counties are considered, 9,417 MRIs, there is sufficient volume for MTI-New Salem's project as well as for existing underutilized MRI providers to achieve higher volumes.

2021 Projected MRI Utilization

	2021 Population	2015 TN Use Rate	2021 Projected MRIs	2015 Actual MRIs	Incremental Growth
Rutherford	367,508	89.4	32,855	25,536	7,319
Bedford	54,178	89.4	4,844	3,778	1,066
Coffee	58,331	89.4	5,215	4,183	1,032
Total	480,017		42,914	33,497	9,417
Need @2,880/Unit					3.3
Need @3,600/Unit					2.6

Note: Use rate represents the 2015 Tennessee statewide MRI use rate/1,000

Sources: TN DOH Population Statistics and Medical Equipment Registry

10. Section B, Need, Item 1 (Project Specific Criteria-Magnetic Resonance Imaging 6.)

Please provide a narrative response along with supportive data. Do not refer to other sections of the application to document your response.

RESPONSE: There are no specialty MRI units in the service area. Please see **Attachment C** for the inventory of non-specialty MRI units.

11. Section B, Need, Item 1 (Project Specific Criteria-Magnetic Resonance Imaging 7.g.)

Please provide copies of the existing hospital transfer agreements.

RESPONSE: A copy of the existing hospital transfer agreement was provided in the original CON application at Tab 14, the last item behind the radiologist CVs.

12. Section B, Need, Item 1 (Project Specific Criteria-Magnetic Resonance Imaging, Attachment-MRI Need Methodologies and Results)

Please provide a scenario where in projecting MRI scans current county use rates are utilized rather than the statewide rate.

RESPONSE:

Because of low service area MRI utilization rates in all three service area counties (77.1/1,000 to 85.5/1,000) compared to Tennessee overall (89.4/1,000), we do not believe that the application of county-specific use rates are appropriate.

2015 MRI Utilization and Use Rates

	Procedures	Population	Use Rate/1,000	% of State
Rutherford	25,536	298,606	85.5	95.6%
Bedford	3,778	47,185	80.1	89.6%
Coffee	4,183	54,282	77.1	86.2%
Total	33,497	400,073	83.7	93.6%
Statewide	590,347	6,600,211	89.4	

Source: Medical Equipment Registry

However, this information is provided as requested. The following analysis projects service area MRI utilization based on the lower, county-specific MRI use rates.

Based on current county-specific use rates (2015), the projected increase in MRI procedures is expected to generate almost 6,800 additional MRI procedures by 2021, sufficient volume to accommodate approximately between two and three MRI units. Please see the following analysis, which projects 2021 MRI volume for Rutherford County, Bedford County and Coffee County:

**2021 Projected MRI Utilization
At BELOW AVERAGE Current County Rates**

	2021 Population	2015 Cnty Use Rate	2021 Projected MRIs	2015 Actual MRIs	Incremental Growth
Rutherford	367,508	85.5	31,422	25,536	5,886
Bedford	54,178	80.1	4,340	3,778	562
Coffee	58,331	77.1	4,497	4,183	314
Total	480,017		40,259	33,497	6,762
Need @2,880/Unit					2.3
Need @3,600/Unit					1.9

Note: Use rate represents the 2015 Tennessee statewide MRI use rate/1,000

Sources: TN DOH Population Statistics and Medical Equipment Registry

Similarly, MTI-New Salem projects that its service area, which is also experiencing strong population growth, will also generate sufficient MRI volume to support the need for its proposed center. Again, based on county-specific use rates, projections indicate that the service area's MRI volume will increase by 14.7 percent from 14,922 procedures to 17,121 procedures, sufficient incremental growth to support between 0.6 and 0.8 MRI unit. Please see the following exhibit:

**Service Area 2021 Projected MRI Volume
At BELOW AVERAGE Current County Rates**

County/Zip Code	2021 Population	2015 TN Use Rate	2021 Projected MRIs	2015 Actual MRIs	Incremental Growth
Rutherford					
37037	8,316	85.5	711	602	109
37060	2,871	85.5	245	210	35
37127	19,047	85.5	1,629	1384	245
37128	60,589	85.5	5,180	4325	855
37153	6,067	85.5	519	440	79
PSA Subtotal	96,890	85.5	8,284	6,961	1,323
Bedford	54,178	80.1	4,340	3,778	562
Coffee	58,331	77.1	4,497	4,183	314
SSA Subtotal	112,509	78.5	8,837	7,961	876
PSA + SSA Total	209,399		17,121	14,922	2,199
Need @2,880/Unit					0.8
Need @3,600/Unit					0.6

Note: 2015 MRIs for Rutherford County zip codes represent a pro rata share of the county's 2015 MRI volume (25,536) based on the zip codes' percentage of the county's 2017 population

Note: Use rate represents the 2015 Tennessee statewide MRI use rate/1,000

Sources: TN DOH Population Statistics, Nielson, HSDA Medical Equipment Registry

13. Section B, Need, Item 1 (Project Specific Criteria-Magnetic Resonance Imaging, Attachment-MRI Need Methodologies and Results)

Please provide a detailed discussion on how the market share rates used in projecting the applicant's MRI scans were determined.

RESPONSE: MTI-New Salem based the market share rates used to project MRI scans on the anticipated minimum market capture consistent with incremental MRI scans within its defined Rutherford County zip codes (as opposed to the entire county) plus Bedford and Coffee counties. It assumed a higher market capture for the Rutherford County zip codes because the proposed ODC will be located in Murfreesboro, which is in Rutherford County. MTI-New Salem assumed that it would capture lower market shares in both Bedford and Coffee County due to distance from its proposed ODC and competition from other providers. MTI-New Salem anticipated that it could capture a slightly higher market share in Bedford County than in Coffee County due to better transportation access to its facility. MTI assumed that its initial market share in Year 1 would increase modestly from year-to-year. MTI-New Salem considers these market shares very conservative and achievable and, in fact, its actual market shares could be higher.

14. Section B, Need, Item 5 (Historical MRI Utilization in Applicant's Primary Service Area)

Please describe the existing and approved but unimplemented services of similar healthcare providers in the service area.

RESPONSE: Existing MRI providers are profiled in **Attachment C**. The applicant is not aware of any approved but unimplemented services of similar healthcare providers in the service area.

Please complete the following table.

RESPONSE: Though much of this information has been provided in **Attachment C**, a new table in the requested format will be provided separately.

***Service Area Historical MRI Utilization, 2013-2015**

Provider	Type	County	# of MRIs (1)	Distance from applicant (in miles)	2013	2014	2015	% of MRI Standard in 2015 (2)	% Change
		Rutherford							
		Rutherford							
		Rutherford							
		Rutherford							
		Rutherford							
Rutherford Co. Facility Sub-Total									
		Coffee							
		Coffee							

		Coffee							
		Coffee							
Coffee Co. Facility Sub-Total									
Bedford County									
		Bedford							
Service Area Total									

15. Section B, Need, Item 6 (Applicant's Historical and Projected Utilization)

Please provide a narrative response along with supportive data. Do not refer to other sections of the application to document your response.

Please be more specific in the methodology used to project utilization in Year One and Year Two including detailed calculation from referral sources, and identification of all assumptions. Please indicate the number of MRI referrals the new applicant expects to draw from physicians for the proposed MRI.

RESPONSE: This response supplements the previous information on application page 38.

MTI-New Salem is a proposed new facility and does not have data for the past three years. (Historical data for MTI-Rutherford and MTI-Smyrna are provided in **Attachment C.**)

Projections for the first two years are provided at the end of this section, after the methodology and results.

As stated in Item 6, "provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions."

The methodology and assumptions are provided below. Referral sources will include the Saint Thomas Health physicians who will begin practicing at the New Salem primary care center as well as existing referral sources. Saint Thomas Health will open a new primary care center on March 1, 2017. The center will be located in a newly constructed medical office building at 2723 New Salem Highway in Murfreesboro (Rutherford County).

Both the Saint Thomas Health - New Salem primary care site and MTI's New Salem imaging site were selected to deliver patient care closer to where patients live. The New Salem area is in a high growth area south of I-24 and Saint Thomas Hospital Rutherford. Traffic between New Salem and downtown Murfreesboro is a growing concern, causing access issues to existing providers.

To support these Saint Thomas Health physicians and their patients, as well as other physicians and residents of the community, MTI will provide imaging services for Saint Thomas Health - New Salem including x-ray, mammography and ultrasound services. These services will be available when the center opens in February. In addition, to complementing the range of imaging modalities that will be available at the center (x-ray, mammography and ultrasound), MTI is proposing to develop a new ODC which will provide onsite MRI and CT services.

In 2015, Rutherford County, Bedford County and Coffee County accounted for 33,497 MRI procedures or 83.7 MRIs per 1,000 population. By comparison, the use rate for the state of Tennessee was 89.4 MRI procedures per 1,000, 6.8 percent higher than the service area's use rate. The lower use rate, especially in Bedford County and Coffee County, suggests that service area residents have more limited access to MRI services and that these areas are underserved for MRI services. Please see the following:

2015 MRI Utilization and Use Rates

	Procedures	Population	Use Rate/1,000	% of State
Rutherford	25,536	298,606	85.5	95.6%
Bedford	3,778	47,185	80.1	89.6%
Coffee	4,183	54,282	77.1	86.2%
Total	33,497	400,073	83.7	93.6%
Statewide	590,347	6,600,211	89.4	

Source: Medical Equipment Registry

MTI New Salem expects that with 1) population growth in the service area and 2) improved access to MRI services and a concomitant increase in the area's use rate to that of the state's use rate (89.4/1,000), the number of service area MRIs will increase significantly. The projected increase in MRI procedures is expected to generate more than 9,400 additional MRI procedures by 2021, sufficient volume to accommodate approximately three MRI units. Please see the following analysis, which projects 2021 MRI volume for Rutherford County, Bedford County and Coffee County:

2021 Projected MRI Utilization

	2021 Population	2015 TN Use Rate	2021 Projected MRIs	2015 Actual MRIs	Incremental Growth
Rutherford	367,508	89.4	32,855	25,536	7,319
Bedford	54,178	89.4	4,844	3,778	1,066
Coffee	58,331	89.4	5,215	4,183	1,032
Total	480,017		42,914	33,497	9,417
Need @2,880/Unit					3.3
Need @3,600/Unit					2.6

Note: Use rate represents the 2015 Tennessee statewide MRI use rate/1,000

Sources: TN DOH Population Statistics and Medical Equipment Registry

MTI-New Salem based the market share rates used to project MRI scans on the anticipated minimum market capture consistent with incremental MRI scans within its defined Rutherford County zip codes (as opposed to the entire county) plus Bedford and Coffee counties. It assumed a higher market capture for the Rutherford County zip codes because the proposed ODC will be located in Murfreesboro, which is in Rutherford County. MTI-New Salem assumed that it would capture lower market shares in both Bedford and Coffee County due to distance from its proposed ODC and competition from other providers. MTI-New Salem anticipated that it could capture a slightly higher market share in Bedford County than in Coffee County due to better transportation access to its facility. MTI assumed that its initial market share in Year 1 would increase

modestly from year-to-year. MTI-New Salem considers these market shares very conservative and achievable and, in fact, its actual market shares could be higher.

MTI-New Salem projects, based on conservative and achievable market share assumptions, that its volumes will meet HDSA's volume standard for new MRI units. The following exhibit profiles MTI-New Salem's market share assumptions for its first three operating years:

Market Share Assumptions

County/Zip Code	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
Rutherford zip codes	17.5%	19.0%	20.0%
Bedford	7.0%	9.0%	11.0%
Coffee	6.0%	8.0%	10.0%

Note: Includes Rutherford County zip codes 37037, 37060, 37127, 37128 and 37153

In summary, based on projected population in the service area, achievement of the statewide use rate for MRI procedures (89.4 per 1,000) and anticipated market capture, MTI-New Salem will be able to achieve the following volumes for 2018, 2019 and 2020:

MTI-New Salem MRI Volume Projections

County/Zip Code	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
Rutherford zip codes	1,428	1,582	1,698
Bedford	323	422	524
Coffee	305	410	517
Out of Area	108	126	144
Total	2,164	2,540	2,883
HDSA Target	2,160	2,520	2,880

Note: Includes Rutherford County zip codes 37037, 37060, 37127, 37128 and 37153

MTI-New Salem can achieve its volume projections solely from incremental MRI growth in the service area. From 2017 to 2021, the service area will account for almost 3,800 incremental MRI procedures, significantly more than MTI-New Salem's Year 3 projection of 2,883 procedures. Therefore, the impact of the proposed project on existing MRI providers should be minimal. In fact, if the projected incremental MRI procedures for the entire population of Rutherford, Bedford and Coffee counties are considered, 9,417 MRIs, there is sufficient volume for MTI-New Salem's project as well as for existing underutilized MRI providers to achieve higher volumes.

Please refer to the following three exhibits for detailed volume projections for Year 1, Year 2 and Year 3.

Year 1 (2018) MTI-New Salem MRI Volume Projections

County/Zip Code	<u>2018 Pop</u>	<u>2015 Use Rate</u>	<u>2021 MRIs</u>	<u>Projected Market Share</u>	<u>Incremental MRIs</u>
Rutherford					
37037	7,875	89.4	704		
37060	2,739	89.4	245		
37127	18,102	89.4	1,618		
37128	56,807	89.4	5,079		
37153	5,753	89.4	514		
PSA Subtotal	91,276	89.4	8,160	17.5%	1,428
Bedford	51,659	89.4	4,618	7.0%	323
Coffee	56,894	89.4	5,086	6.0%	305
SSA Subtotal	108,553	89.4	9,704		628
Out of Area (5%)					108
Year 1 MRI Total					2,164

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data

Sources: TN DOH Population Statistics and Nielson

Year 2 (2019) MTI-New Salem MRI Volume Projections

	<u>2019 Pop</u>	<u>2015 Use Rate</u>	<u>2021 MRIs</u>	<u>Projected Market Share</u>	<u>Incremental MRIs</u>
Rutherford					
37037	8,019	89.4	717		
37060	2,782	89.4	249		
37127	18,412	89.4	1,646		
37128	58,040	89.4	5,189		
37153	5,856	89.4	524		
PSA Subtotal	93,109	89.4	8,325	19.0%	1,582
Bedford	52,486	89.4	4,692	9.0%	422
Coffee	57,369	89.4	5,129	8.0%	410
SSA Subtotal	109,855	89.4	9,821		832
Out of Area (5%)					126
Year 2 MRI Total					2,540

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data

Sources: TN DOH Population Statistics and Nielson

Year 3 (2020) MTI-New Salem MRI Volume Projections

	2020 Pop	2015 Use Rate	2021 MRIs	Projected Market Share	Incremental MRIs
Rutherford					
37037	8,166	89.4	730		
37060	2,826	89.4	253		
37127	18,727	89.4	1,674		
37128	59,300	89.4	5,301		
37153	5,961	89.4	533		
PSA Subtotal	94,980	89.4	8,491	20.0%	1,698
Bedford	53,326	89.4	4,767	11.0%	524
Coffee	57,848	89.4	5,172	10.0%	517
SSA Subtotal	111,174	89.4	9,939		1,041
Out of Area (5%)					144
Year 3 MRI Total					2,883

Note: Nielson 2020 zip code population data was interpolated from 2017 and 2022 data

Sources: TN DOH Population Statistics and Nielson

With respect to CT, MTI has projected the these volumes for its New Salem center based on its historical ratio of CT to MRI procedures. Historically, MTI's CT volume has accounted for approximately 77 percent of its MRI volume. Assuming that this ratio holds for its New Salem center, MTI anticipates the following CT volumes for Year 1, Year 2, and Year 3:

MTI-New Salem CT Volume Projections

	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)
Projected MRIs	2,164	2,540	2,883
MTI Ratio of CT to MRI	.77	.77	.77
Projected CTs	1,666	1,956	2,220

In summary, MTI's proposal to develop an ODC and establish MRI and CT services in Saint Thomas Health-New Salem's primary care center will have a positive impact on the delivery of high tech imaging services for the residents of southern Rutherford County, Bedford County and Coffee County. Based on statewide use rates, MTI-New Salem's service area has limited access to high tech imaging services, especially MRI services. MTI's project will increase the availability of MRI and CT services as well as improve access to these services. Because of the strong population growth that has been projected for the service area, MTI will be able to achieve sufficient volumes to meet HDSA's standards with modest market capture. In fact, the projected growth in MRIs not only supports the need for MTI's project but also allows existing, underutilized units to achieve higher volumes as well. In addition, current CT units in the area are highly utilized and are not expected to be negatively impacted by MTI-New Salem new CT service.

16. Section B, Economic Feasibility Item 1 (Project Costs Chart)

Are all the costs associated with the MRI equipment including installation of the equipment as detailed in Item 1.C. on page 30 of the application included in the Project Costs Chart? If not, please make the necessary adjustments.

RESPONSE: Yes, these costs are included as part of the equipment quote in the original CON application at Tab 7. No adjustments to the Project Costs Chart are required.

The applicant listed \$655,100 in moveable equipment. Is this accurate since the proposed MRI is fixed? As directed, please list all equipment over \$50,000 as separate attachments.

RESPONSE: These costs should have been reported as fixed equipment. A replacement page 40 is provided in **Attachment D**.

The lease expense should include all the square footage associated with the operation of the ODC. Does the lease expense only include the square footage for the rooms where the MRI and CT Scanners are located? If yes, please submit a revised Project Costs Chart and make any other applicable changes in the application.

RESPONSE: It is our understanding that ODC licensure requirements pertain to the MRI and CT units only. As such, the lease expense and square footage are reported appropriately in the original CON application.

17. Section B, Economic Feasibility Item 2 and 6.A

It is noted the applicant will fund the proposed project with cash reserves. However, the applicant provided unaudited financial documents that indicate a current ratio of .86 to 1. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities. **Please provide documentation from a banker or financial institution regarding the availability of \$1,311,472 to fund the proposed project.**

RESPONSE: A copy of the most recently audited MTI financial statements is provided in **Attachment E**. The Current Ratio is greater than 1:1. Throughout the year, MTI's current ratio will fluctuate a small amount both above and below the 1:1 threshold as operations ebb and flow. MTI has the cash reserves to fund the project. Additionally, \$243,167 of the project costs relate to the lease which will be funded by the operating revenue of the ODC. Therefore, an outside funding letter is not required to support the project.

18. Section B, Economic Feasibility Item 4 (Projected Data Chart)

Your response to this item is noted. Please provide a Projected Data Chart for the MRI service only and one for the outpatient diagnostic center in total.

RESPONSE: : It is our understanding that ODC licensure requirements pertain to the MRI and CT units only. As such, the Projected Data Chart is reported appropriately in the original CON application.

19. Section B, Economic Feasibility Item 6.C

It is noted MTI's capitalization ratio is 77.4%. Please provide details how this ratio was calculated since the applicant does not have audited financials.

RESPONSE: MTI's most recent audit (2015) is provided in Attachmnet E. Caluclations are provided below.

CAPITALIZATION RATIO CALCULATION

	2015	2014
Long-term debt	11,951,799	14,036,222
Members equity	4,819,300	4,089,196
Capitalization Ratio	0.713	0.774

Source: Audited Financial Statements, Consolidated Balance Sheet

20. Section B, Orderly Development Item 2.

If approved, what type of impact will the proposed MRI service have on the existing MRI ODCs (3), hospitals (2), and physician providers (2) in Rutherford County?

RESPONSE: MTI-New Salem can achieve its volume projections solely from incremental MRI growth in the service area. From 2017 to 2021, the service area will account for almost 3,800 incremental MRI procedures, significantly more than MTI-New Salem's Year 3 projection of 2,883 procedures. Therefore, the impact of the proposed project on existing MRI providers should be minimal. In fact, if the projected incremental MRI procedures for the entire population of Rutherford, Bedford and Coffee counties are considered (9,417 MRI procedures), there is sufficient volume for MTI-New Salem's project as well as for existing underutilized MRI providers to achieve higher volumes. This would be true for the existing MRI ODCs (3), hospitals (2), and physician providers (2) in Rutherford County. Please see the following calculations.

In 2015, Rutherford County, Bedford County and Coffee County accounted for 33,497 MRI procedures or 83.7 MRIs per 1,000 population. By comparison, the use rate for the state of Tennessee was 89.4 MRI procedures per 1,000, 6.8 percent higher than the service area's use rate. The lower use rate, especially in Bedford County and Coffee County, suggests that service area residents have more limited access to MRI services and that these areas are underserved for MRI services. Please see the following:

2015 MRI Utilization and Use Rates

	Procedures	Population	Use Rate/1,000	% of State
Rutherford	25,536	298,606	85.5	95.6%
Bedford	3,778	47,185	80.1	89.6%
Coffee	4,183	54,282	77.1	86.2%
Total	33,497	400,073	83.7	93.6%
Statewide	590,347	6,600,211	89.4	

Source: Medical Equipment Registry

MTI New Salem expects that with 1) population growth in the service area and 2) improved access to MRI services and a concomitant increase in the area's use rate to that of the state's use rate (89.4/1,000), the number of service area MRIs, including all those in Rutherford County, will increase significantly. The projected increase in MRI procedures is expected to generate more than 9,400 additional MRI procedures by 2021, sufficient volume to accommodate approximately two more MRI units after MTI-New Salem's initial start and ramp up. Please see the following analysis, which projects 2021 MRI volume for Rutherford County, Bedford County and Coffee County:

2021 Projected MRI Utilization

	2021 Population	2015 TN Use Rate	2021 Projected MRIs	2015 Actual MRIs	Incremental Growth
Rutherford	367,508	89.4	32,855	25,536	7,319
Bedford	54,178	89.4	4,844	3,778	1,066
Coffee	58,331	89.4	5,215	4,183	1,032
Total	480,017		42,914	33,497	9,417
Need @2,880/Unit					3.3
Need @3,600/Unit					2.6

Note: Use rate represents the 2015 Tennessee statewide MRI use rate/1,000

Sources: TN DOH Population Statistics and Medical Equipment Registry

21. Section B, Orderly Development Item 6.A.

Please provide more specific information of the current progress of CN1110-037, CN1307-028, and CN0307-029.

RESPONSE: See below.

- CN1110-037, \$110 million Saint Thomas West renovation project. The West project is substantially complete on the adjusted/modified budget of \$90 million. A final project report will be filed the next 30 days.
- CN1307-028, Saint Thomas Midtown joint replacement project. This project is complete, on time and on budget. A final project report was submitted in June 2016.

January 26, 2017

3:13 pm

- CN1307-029, Baptist Plaza Surgicare. This project is actually managed by another affiliate of Saint Thomas Health unrelated to the applicant. Further information has not been provided to MTI.

22. Section B, Orderly Development Item 7

Based on the Certificate of Need Application Middle TN Imaging, LLC dba Premier Radiology, CN1605-016 applicant Agency presentation, HSDA has not received MRI registrations and/or 2015 utilizations for Premier Radiology Briarville and Premier Radiology Hendersonville. Please complete and submit.

RESPONSE: Premier Radiology Briarville and Premier Radiology Hendersonville do not perform any MRI services. There is a Mobile MRI unit that does perform services at the same location as these centers under the Mobile MRI Medical Services ODC License #058. The utilization volumes for this mobile unit were submitted under the appropriate ODC.

23. Section C, Project Forecast Completion Chart

If this application is deemed complete by the end of January, the Agency will likely hear this application on April 26, 2017. If the applicant does not expect this application to be deemed complete by the end of January, then no changes to the Project Forecast Completion Chart will be needed. Please make the applicable changes to the Initial Decision Date and submit a revised Project Forecast Completion Chart, if necessary.

RESPONSE: Based upon this series of questions and responses, MTI fully expects that this project will be heard at the April meeting. A revised Project Forecast Completion Chart is included as **Attachment F**.

Thank you for the opportunity to provide this supplemental information. Should you have any questions or require additional information, please do not hesitate to contact me.

A notarized affidavit is provided as **Attachment G**.

Sincerely,



Mark Gaw
Chief Financial Officer

attachments

Attachment B

January 26, 2017

3:13 pm

Service Area Utilization - MRI At or Above 80% Utilization

County	MRI Facility	Procedures			Units			Utilization at 3,600		
		2013	2014	2015	2013	2014	2015	2013	2014	2015
Rutherford	MTI Rutherford	5,170	5,595	6,480	2	2	2	71.8%	77.7%	90.0%
Rutherford	The Image Ctr. Of Murfreesboro	4,854	5,524	5,244	1	1	1	134.8%	153.4%	145.7%
	ODC Total	10,024	11,119	11,724	3	3	3	92.8%	103.0%	108.6%
Rutherford	TriStar TriStar Stonecrest	2,369	2,509	2,896	1	1	1	65.8%	69.7%	80.4%
	Hospital Total	2,369	2,509	2,896	1	1	1	65.8%	69.7%	80.4%

Source: MRI Equipment Registry (as of 10/17/2016)

Attachment C

January 26, 2017

3:13 pm

156

Service Area Utilization - MRI

County	MRI Facility	Procedures				Units				Utilization at 3,600			
		2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Rutherford	MTI Rutherford	5,170	5,595	6,480	2	2	2	71.8%	77.7%	90.0%	71.8%	77.7%	90.0%
Rutherford	MTI Smyrna	2,392	3,003	3,614	2	2	2	33.2%	41.7%	50.2%	33.2%	41.7%	50.2%
Rutherford	TN PET Scan Ctr LLC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rutherford	The Image Ctr. Of Murfreesboro	4,854	5,524	5,244	1	1	1	134.8%	153.4%	145.7%	134.8%	153.4%	145.7%
	ODC Total	12,416	14,122	15,338	5	5	5	69.0%	78.5%	85.2%	69.0%	78.5%	85.2%

Rutherford	Saint Thomas Rutherford	2,386	2,322	2,630	2	2	2	33.1%	32.3%	36.5%	33.1%	32.3%	36.5%
Rutherford	TriStar TriStar Stonecrest	2,369	2,509	2,896	1	1	1	65.8%	69.7%	80.4%	65.8%	69.7%	80.4%
Rutherford	Trustpoint	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bedford	Heritage M.C.	1,125	1,144	1,192	1	1	1	31.3%	31.8%	33.1%	31.3%	31.8%	33.1%
Coffee	Harton Regional	2,554	2,110	2,371	1	1	1	70.9%	58.6%	65.9%	70.9%	58.6%	65.9%
Coffee	United Regional medical Ctr	1,610	1,557	N/A	1	1	N/A	44.7%	43.3%	N/A	44.7%	43.3%	N/A
Coffee	MC of Manchester	721	853	N/A	1	1	N/A	20.0%	23.7%	N/A	20.0%	23.7%	N/A
Coffee	Unity Medical Center	N/A	N/A	1,871	N/A	N/A	2	N/A	N/A	26.0%	N/A	N/A	26.0%
	Hospital Total	10,765	10,495	10,960	7	7	7	42.7%	41.6%	43.5%	42.7%	41.6%	43.5%

Rutherford	Murfreesboro Medical Clinic-Garrisc	1,994	2,344	2,770	1	1	1	55.4%	65.1%	76.9%	55.4%	65.1%	76.9%
Rutherford	Tennessee Orthopaedic Alliance Im	4,148	4,528	4,530	1	1	2	115.2%	125.8%	62.9%	115.2%	125.8%	62.9%
	PO Physician Owned Total	6,142	6,872	7,300	2	2	3	85.3%	95.4%	67.6%	85.3%	95.4%	67.6%

Grand Total

29,323	31,489	33,598	14	14	15	58.2%	62.5%	62.2%
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Source: MRI Equipment Registry (as of 10/17/2016)

**MIDDLE TENNESSEE IMAGING, LLC
AND SUBSIDIARIES**

FINANCIAL STATEMENTS

December 31, 2015 and 2014

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES**TABLE OF CONTENTS**

Independent Auditor's Report.....	1 – 2
Consolidated Financial Statements:	
Balance Sheets	3
Statements of Operations.....	4
Statements of Members' Equity	5
Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7 – 13



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Owners of
Middle Tennessee Imaging, LLC and Subsidiaries
Goodlettsville, Tennessee

We have audited the accompanying consolidated financial statements of Middle Tennessee Imaging, LLC (a limited liability corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Middle Tennessee Imaging, LLC and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier Owen + Hand, PLLC

April 22, 2016

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014

	Assets	2015	2014
Current assets:			
Cash and cash equivalents		\$ 3,914,116	\$ 3,899,673
Accounts receivable, net		5,515,805	6,702,938
Prepaid expenses		181,350	151,082
Other assets		80,333	79,593
Total current assets		9,691,604	10,833,286
Property and equipment, net		14,924,497	18,239,803
Goodwill		600,000	600,000
Total assets		<u>\$ 25,216,101</u>	<u>\$ 29,673,089</u>
Liabilities and Members' Equity			
Current liabilities:			
Accounts payable and accrued expenses		\$ 4,360,579	\$ 5,463,248
Notes payable		4,084,423	6,084,423
Total current liabilities		8,445,002	11,547,671
Notes payable, net of current portion		11,951,799	14,036,222
Total liabilities		20,396,801	25,583,893
Members' equity		4,819,300	4,089,196
Total liabilities and members' equity		<u>\$ 25,216,101</u>	<u>\$ 29,673,089</u>

See accompanying notes.

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net revenue:		
Service fee revenue, net of contractual allowances and discounts	\$ 52,517,623	\$ 45,581,797
Provision for doubtful accounts	<u>(5,283,166)</u>	<u>(4,416,715)</u>
Net service fee revenue	47,234,457	41,165,082
Net earnings from STHS hospitals	416,248	2,198,325
Non-medical revenue:		
Rent revenue	90,899	145,315
Other	<u>618,489</u>	<u>624,903</u>
Net revenue	<u>48,360,093</u>	<u>44,133,625</u>
Operating expenses:		
Contracted services	14,731,072	11,317,076
Salaries and benefits	10,564,160	10,265,374
Supplies	3,978,566	4,006,784
Depreciation and amortization	3,733,484	3,749,471
Repairs and maintenance	3,726,413	2,952,194
Leases and rents	2,736,020	2,707,893
Other operating expenses	<u>2,189,803</u>	<u>2,079,328</u>
Total operating expenses	<u>41,659,518</u>	<u>37,078,120</u>
Income from operations	6,700,575	7,055,505
Other income (expense):		
Interest expense	(547,951)	(758,210)
(Loss) gain on disposal of property and equipment	<u>(528)</u>	<u>426</u>
Total other income (expense)	<u>(548,479)</u>	<u>(757,784)</u>
Net income before taxes	6,152,096	6,297,721
Provision for state income taxes	<u>(171,992)</u>	<u>(376,130)</u>
Net income	<u><u>\$ 5,980,104</u></u>	<u><u>\$ 5,921,591</u></u>

See accompanying notes.

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Members' equity, beginning of year	\$ 4,089,196	\$ 4,167,605
Distributions	(5,250,000)	(6,000,000)
Net income	<u>5,980,104</u>	<u>5,921,591</u>
Members' equity, end of year	<u><u>\$ 4,819,300</u></u>	<u><u>\$ 4,089,196</u></u>

See accompanying notes.

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net income	\$ 5,980,104	\$ 5,921,591
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,733,484	3,749,471
Loss (gain) on disposal of property and equipment	528	(426)
Provision for doubtful accounts	5,283,166	4,416,715
Changes in assets and liabilities:		
Accounts receivable	(4,096,033)	(4,794,583)
Prepaid expenses	(30,268)	(34,876)
Other assets	(740)	83,575
Accounts payable and accrued expenses	(1,102,669)	1,570,577
Net cash provided by operating activities	<u>9,767,572</u>	<u>10,912,044</u>
Cash flows from investing activities:		
Purchases of property and equipment	(418,706)	(3,090,230)
Acquisition of membership interest	-	(900,000)
Net cash used in investing activities	<u>(418,706)</u>	<u>(3,990,230)</u>
Cash flows from financing activities:		
Proceeds from notes payable	-	4,200,000
Payments on notes payable	(4,084,423)	(3,579,355)
Member distributions	(5,250,000)	(6,000,000)
Net cash used in financing activities	<u>(9,334,423)</u>	<u>(5,379,355)</u>
Increase in cash and cash equivalents	14,443	1,542,459
Cash and cash equivalents, beginning of year	<u>3,899,673</u>	<u>2,357,214</u>
Cash and cash equivalents, end of year	<u>\$ 3,914,116</u>	<u>\$ 3,899,673</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 547,951</u>	<u>\$ 758,210</u>
Income taxes	<u>\$ 178,359</u>	<u>\$ 408,337</u>

See accompanying notes.

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Middle Tennessee Imaging, LLC (the “Company”) was formed in April 2011 and provides diagnostic imaging services including magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), mammography, ultrasound, diagnostic radiology, or X-ray, and other related procedures. The Company owns a membership interest in RADS of America, LLC, and Premier Mobile, LLC, single member limited liability companies. The Company operates 14 imaging centers in Middle Tennessee. The Company operates as a limited liability company and its members have limited personal liability for the obligations or debts of the Company. Only one class of members’ interest exists and the entity’s life is not finite.

Principles of Consolidation

The consolidated financial statements at December 31, 2015 and 2014 include the accounts of the Company and its wholly-owned subsidiaries, RADS of America, LLC and Premier Mobile, LLC (“Premier Mobile”). Premier Mobile was formed in 2014 to acquire the membership interest of Mobile MRI Medical Services, LLC. All significant inter-entity transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues

Patient revenues, net of contractual allowances and discounts, consist of net patient fees received from various payers based upon established contractual billing rates, less allowances for contractual adjustments and discounts.

Service fee revenues are recorded during the period the services are provided based upon the estimated amounts due from the patients and third-party payers. Third-party payers include federal and state agencies (under Medicare and Medicaid programs), managed care health plans, commercial insurance companies, and employers. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements. Contractual payment terms in managed care agreements are generally based upon predetermined rates per discounted fee-for-service rates. A provision for doubtful accounts (based primarily on historical collection experience) is also recorded related to patients without insurance and copayment and deductible amounts for patients who have health care coverage under a third-party payer.

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues (Continued)

The Company's service fee revenue, net of contractual allowances and discounts and the provision for doubtful accounts for the years ended December 31, 2015 and 2014 are summarized in the following table:

	<u>2015</u>	<u>2014</u>
Commercial insurance	\$ 29,493,319	\$ 26,684,636
Medicare	15,269,606	11,958,333
Medicaid	4,874,703	4,540,730
Workers' compensation	1,722,681	1,687,590
Other	<u>1,157,314</u>	<u>710,508</u>
Service fee revenue, net of contractual allowances and discounts	52,517,623	45,581,797
Provision for doubtful accounts	<u>(5,283,166)</u>	<u>(4,416,715)</u>
Net service fee revenue	<u>\$ 47,234,457</u>	<u>\$ 41,165,082</u>

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, cash includes cash and all highly liquid investments with original maturities of ninety days or less when purchased.

Accounts Receivable

Substantially all accounts receivable are due under fee-for-service contracts from third-party payers, such as insurance companies and government-sponsored healthcare programs, or directly from patients. Services are generally provided pursuant to one-year contracts with healthcare providers. Receivables are generally collected within industry norms for third-party payers. Collections from payers are continuously monitored and an allowance for uncollectible accounts is maintained based upon specific payer collection issues that have been identified and historical experience.

Provision for Doubtful Accounts

An allowance is provided against accounts receivable that could become uncollectible to reduce the carrying value of such receivables to their estimated net realizable value. This allowance is estimated based on the aging of accounts receivable by each type of payer over an 18-month look-back period and other relevant factors. The allowance for bad debts totaled \$2,199,926 and \$1,583,550 at December 31, 2015 and 2014, respectively.

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided by use of the straight-line method over the estimated useful lives of the assets, which range from 4 to 10 years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Maintenance and repairs are charged to expense as incurred.

Goodwill

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually at the reporting unit level. If impairment exists, a write-down to estimated fair value (normally measured by discounting estimated future cash flows) is recorded. No goodwill impairment charges were recorded in 2015 or 2014.

Income Taxes

The Company is treated as a partnership for federal income tax purposes and does not incur federal income taxes. Instead, its income or loss is included in the income tax returns of the members. The Company is subject to Tennessee franchise and excise taxes.

The Company follows Financial Accounting Standards Board Accounting Standards Codification guidance which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Company has no tax penalties or interest reported in the accompanying consolidated financial statements. Tax years that remain open to examination include the years ended December 31, 2012 through 2015.

Subsequent Events

The Company evaluated subsequent events through April 22, 2016, when these consolidated financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the consolidated balance sheet date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 967,099	\$ 967,099
Buildings	1,847,721	1,847,721
Leasehold improvements	9,476,526	9,380,445
Office furniture and equipment	676,004	668,411
Medical equipment	24,406,895	24,221,474
Computer equipment and software	1,679,184	1,571,307
Automobiles	<u>98,127</u>	<u>100,573</u>
	39,151,556	38,757,030
Less: accumulated depreciation	<u>(24,227,059)</u>	<u>(20,517,227)</u>
	<u>\$ 14,924,497</u>	<u>\$ 18,239,803</u>

Depreciation and amortization expense totaled \$3,733,484 and \$3,749,471 for the years ended December 31, 2015 and 2014, respectively.

NOTE 3 – NOTES PAYABLE

During 2012, the Company entered into a credit facility with a financial institution. The facility consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Line of credit allowing for maximum borrowings of \$3,000,000. The line matures in June 2019 and is secured by a deed of trust, the Company's assets, and a guaranty by RADS of America, LLC. Interest is payable monthly at a variable rate (3.03% at December 31, 2015). The loan agreement requires that the Company maintain a minimum fixed charge coverage ratio computed on a quarterly basis.	\$ 2,000,000	\$ 2,000,000
Note payable for purchase of property and equipment, payable in monthly principal and interest installments of \$302,243. Interest is charged at a variable rate (3.03% at December 31, 2015). All unpaid principal and interest is due June 2019. The note is secured by a deed of trust, the Company's assets, and a guaranty by RADS of America, LLC.	<u>14,036,222</u>	<u>18,120,645</u>
Total notes payable	<u>\$ 16,036,222</u>	<u>\$ 20,120,645</u>

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 3 – NOTES PAYABLE (Continued)

Annual principal maturities of the facility are as follows at December 31, 2015:

Years Ending December 31:	
2016	\$ 4,084,423
2017	4,084,423
2018	4,084,423
2019	3,782,953
2020	-
Thereafter	-
	<u>\$ 16,036,222</u>

Total interest expense was \$547,951 and \$758,210 for the years ended December 31, 2015 and 2014, respectively.

NOTE 4 – LEASES

The Company has entered into numerous noncancelable operating lease agreements for various office and center facilities with lease terms expiring at various dates through the year 2023 as follows:

<u>Center</u>	<u>Lease Expiration Date</u>
Belle Meade	April 2021
Briarville	October 2016
Clarksville	September 2017
Cool Springs	March 2022
Hendersonville	February 2023
Hermitage	June 2019
Midtown	July 2018
Mt. Juliet	April 2020
Murfreesboro	October 2020
Nashville	December 2023
Smyrna	December 2023
St. Thomas West	July 2024

Rent expense under these leases for the years ended December 31, 2015 and 2014 totaled \$2,557,790 and \$2,578,551, respectively.

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 4 – LEASES (Continued)

Minimum lease commitments are as follows at December 31, 2015:

Years Ending December 31:	
2016	\$ 2,339,949
2017	2,337,608
2018	2,296,524
2019	1,896,873
2020	1,575,703
Thereafter	<u>2,181,938</u>
	<u>\$ 12,628,595</u>

NOTE 5 – STATE INCOME TAXES

The provision for state income taxes consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Current	\$ 171,992	\$ 376,130
Deferred	<u>-</u>	<u>-</u>
	<u>\$ 171,992</u>	<u>\$ 376,130</u>

The provision for state income taxes differs from the computed amount at the applicable state statutory rate due primarily to income subject to self employment taxes being exempt from tax for Tennessee excise tax purposes.

Deferred state tax assets and liabilities are not significant at December 31, 2015 and 2014.

NOTE 6 – CONTRACTS AND AGREEMENTS

The Company has entered into a billing and management agreement with PhyData, LLC (a related party) whereby the Company pays PhyData, LLC an agreed upon percentage of collections. During the years ended December 31, 2015 and 2014, the Company recognized expense under this agreement totaling \$3,040,763 and \$2,645,060, respectively. Amounts payable to PhyData, LLC totaled \$550,856 and \$568,207 as of December 31, 2015 and 2014, respectively.

MIDDLE TENNESSEE IMAGING, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 6 – CONTRACTS AND AGREEMENTS (Continued)

The Company has entered into a professional services agreement with Advanced Diagnostic Imaging, P.C. (a related party) and Midstate Radiology Inc. (a related party) to provide reading and interpretation services based on a percentage of collections. During the years ended December 31, 2015 and 2014, the Company recognized expense under this agreement totaling \$10,219,491 and \$7,258,940, respectively. Amounts payable to Advanced Diagnostic Imaging, P.C. and Midstate Radiology Inc. totaled \$1,518,416 and \$1,361,567 as of December 31, 2015 and 2014, respectively.

The Company has entered into an employee leasing agreement with NOL, LLC (a related party) to provide all employees for the Company. Under terms of the agreement, the Company reimburses NOL, LLC all costs associated with the applicable employees. During the years ended December 31, 2015 and 2014, the Company recognized expense under the agreement totaling \$10,251,866 and \$9,866,822, respectively. Amounts payable to NOL, LLC totaled \$0 and \$406,566 as of December 31, 2015 and 2014, respectively.

NOTE 7 – PROFIT SHARING PLAN

The Company has a combination profit sharing and 401(k) plan (the “Plan”), which covers all employees who are at least age 18 and have completed one year of service. The Plan provides for safe harbor, discretionary matching, and discretionary profit sharing contributions. For the years ended December 31, 2015 and 2014, the Company recognized related expenses totaling \$495,347 and \$570,780, respectively.

NOTE 8 – CHARITY CARE ASSISTANCE

The Company provides certain services to individuals who do not have insurance or other means to pay for the services received. These services represent charity care and are not reported as revenue. The cost of charity care provided by the Company during the years ended December 31, 2015 and 2014 was approximately \$1,125,000 and \$945,000, respectively.

NOTE 9 – CONCENTRATIONS

The Company maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to statutory limits. As of December 31, 2015 and 2014, the Company’s depository accounts exceeded such insurance limits by approximately \$3,300,000, respectively.

NOTE 10 – RISK OF LOSS

The Company is exposed to various risks of loss including medical malpractice, general liability, errors and omissions, and other situations. The Company purchases commercial insurance for the significant risks of loss. There have been no significant claims during the years ended December 31, 2015 and 2014.

Attachment F

Attachment G

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSONNAME OF FACILITY: MIDDLE TENNESSEE IMAGING, LLC dba PREMIER RADIOLOGY
NEW SALEM

I, MARK GAW, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



[Signature] CFO
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 25 day of Jan, 2017,
witness my hand at office in the County of Davidson, State of Tennessee.

[Signature]
NOTARY PUBLIC

My commission expires July 8th, 2017.

Attachment E

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSONNAME OF FACILITY: MID-TN IMAGING, LLC dba PREMIER RADIOLOGY - NEW SALEM

I, MARK GAV, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Mark Gav CFO
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 31st day of Jan, 2017,
witness my hand at office in the County of Davidson, State of Tennessee.

Glenn Bradley
NOTARY PUBLIC

My commission expires July 8th, 2017.

Supplemental #2 -COPY-

Middle TN Imaging, LLC

CN1701-003

January 31, 2017

Hand Delivery

Phillip Earhart, HSD Examiner
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application, CN1701-003, Mid-TN Imaging, LLC d/b/a Premier Radiology

Establishment of a New ODC and Initiation of MRI and CT Services

Dear Mr. Earhart:

This letter is our response to your second supplemental request of January 30, 2017. This information is provided in triplicate along with a notarized affidavit.

1. Section B, Economic Feasibility Item 1 (Project Costs Chart)

The lease expense should include all the square footage associated with the operation of the ODC. Please submit a revised Project Costs Chart and make any other applicable changes in the application. This request is consistent with ODC applications previously reviewed and heard by the Agency.

RESPONSE: All leased space for the proposed New Salem facility is now included here. A revised Project Costs Chart is provided in **Attachment A.**

A contractor's cost letter for the base suite build out is provided in **Attachment B.**

Equipment quotes for x-ray, ultrasound and mammography equipment are provided in **Attachment C.**

A new funding letter is provided in **Attachment D.**

An additional filing fee check for \$67.53 is enclosed.

2. Section B, Economic Feasibility Item 4 (Projected Data Chart)

Your response to this item is noted. Please provide a Projected Data Chart for the MRI service only and one for the outpatient diagnostic center in total. This request is consistent with ODC applications previously reviewed and heard by the Agency.

RESPONSE: A Projected Data Chart for the MRI service only and one for the outpatient diagnostic center in total are provided in **Attachment E.**

3. Section B, Orderly Development Item 7

Based on the Certificate of Need Application Middle TN Imaging, LLC dba Premier Radiology, CN1605-016 applicant Agency presentation, HSDA has not received MRI registrations and/or 2015 utilizations for Premier Radiology Briarville and Premier Radiology Hendersonville. We acknowledge that data is being reported under mobile MRI services/Clarksville, however providers who have multiple facilities under their license are required to report those utilizations independently of the main provider that hold the license. Please complete and submit.

RESPONSE: MTI's Mark Gaw spoke with HSDA's Alicia Craighead, on Tuesday, January 31, 2017, at 9:30 am (Central Time), concerning this matter. MTI will not need to resubmit the 2015 utilizations for Mobile MRI Medical Services, LLC. In 2015, MTI submitted a total of 2,555 scans. Of these scans, 2,265 were performed at Mobile MRI Medical Services – Clarksville, 256 were performed at Mobile MRI Medical Services – Briarville, and 34 were performed at Mobile MRI Medical Services – Hendersonville. Going forward (beginning with this year's submission for 2016), MTI will submit the volumes by location as noted above based on Ms. Craighead's instructions.

Thank you for the opportunity to provide this supplemental information. Should you have any questions or require additional information, please do not hesitate to contact me.

A notarized affidavit is provided here as well, in **Attachment F**.

Sincerely,



Mark Gaw
Chief Financial Officer

attachments

Supplemental #3 -COPY-

Mid TN Imaging LLC

CN1701-003

January 31, 2017

Hand Delivery

Phillip Earhart, HSD Examiner
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application, CN1701-003, Mid-TN Imaging, LLC d/b/a Premier Radiology

Establishment of a New ODC and Initiation of MRI and CT Services

Dear Mr. Earhart:

This letter is our response to your third supplemental request of January 31, 2017. This information is provided in triplicate along with a notarized affidavit.

1. Section B, Need, Item 1 (Project Specific Criteria-Magnetic Resonance Imaging, Attachment-MRI Need Methodologies and Results)

Please clarify if 2015 MRI utilization of 25,536 scans for Rutherford County, 3,778 scans for Bedford County, and 4,183 scans for Coffee County is based solely on patient origin.

RESPONSE: Yes, these MRI scan volumes are for residents of the county regardless of where the scans were performed, i.e., resident county utilization.

2. Section B, Item 1 (Project Specific Criteria-Magnetic Resonance Imaging, MRI Need) and Need. Item 5 (Historical MRI Utilization in Applicant's Primary Service Area)

The table submitted on January 30, 2017 included utilization errors. Please complete the following table using the attached HSDA MRI utilization table as a guide.

RESPONSE: A replacement table is provided, based solely on the Equipment Registry. The table provided previously used hospital JAR data for MRI scans, which sometimes varies from the Equipment Registry.

Using the table above, please discuss if there is a need for an additional MRI in the 3 county service when the combined average utilization of existing MRI providers is at 80% of the total capacity of 3,600 procedures, or 2,880 procedures.

RESPONSE: As stated in the CON application and supplemental responses, MTI New Salem expects that with 1) population growth in the service area and 2) improved access to MRI services and a concomitant increase in the area's use rate to that of the state's use

rate (89.4/1,000), the number of service area MRIs will increase significantly. The projected increase in MRI procedures is expected to generate more than 9,400 additional MRI procedures by 2021, sufficient volume to accommodate approximately three MRI units.

In addition, ODCs are reimbursed at lower rates than hospital outpatient departments, saving money for both patients (deductibles and copayments) and payors (government and private). This demand is not expected to abate anytime soon. Therefore, hospitals are not a cost effective alternative to ODCs.

Thank you for the opportunity to provide this supplemental information. Should you have any questions or require additional information, please do not hesitate to contact me.

A notarized affidavit is attached here as well.

Sincerely,



Mark Gaw
Chief Financial Officer

attachments

Service Area Historical MRI Utilization, 2013-2015

Provider	Type	County	# of MRIs (2015)	Distance from applicant (in miles)	2013	2014	2015	% of MRI Standard in 2015 (2,880)	% Change 2013 to 2015
MTI Rutherford	ODC	Rutherford	2	5.2	5,169	5,595	6,480	113%	25.4%
MTI Smyrna	ODC	Rutherford	2	17.5	2,392	3,003	3,614	63%	51.1%
The Image Ctr. Of Murfreesboro	ODC	Rutherford	1	6.7	4,827	5,327	5,244	182%	8.6%
Saint Thomas Rutherford	Hospital	Rutherford	2	6.5	1,964	1,994	2,572	45%	31.0%
TriStar Stonecrest	Hospital	Rutherford	1	17.7	2,369	2,509	2,896	101%	22.2%
Murfreesboro Medical Clinic	PO	Rutherford	1	5.4	1,994	2,344	2,770	96%	38.9%
Tennessee Orthopaedic Alliance Imaging	PO	Rutherford	2	4.9	4,148	4,528	4,530	79%	9.2%
Rutherford Co. Facility Sub-Total			11		22,863	25,300	28,106	89%	22.9%
Hartson Regional	Hospital	Coffee	1	43.8	2,538	2,293	2,354	82%	-7.2%
United Regional Medical Ctr	Hospital	Coffee	0	35.9	1,615	1,566	N/A	N/A	N/A
Medical Center of Manchester	Hospital	Coffee	0	34.2	632	734	N/A	N/A	N/A
Unity Medical Center	Hospital	Coffee	2	34.2	N/A	N/A	1,871	32%	N/A
Coffee Co. Facility Sub-Total*			3		4,785	4,593	4,225	49%	-11.7%
Bedford County									
Heritage M.C.	Hospital	Bedford	1	20.5	1,131	1,148	1,199	42%	6.0%
Service Area Total			15		28,779	31,041	33,530	78%	16.5%

Source: MRI Equipment Registry (as of 10/17/2016)

Mileage from Google maps

*Coffee County providers have reported data inconsistently, perhaps due to the consolidation of two hospitals into Unity Medical Center

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSONNAME OF FACILITY: MID-TN IMAGING AND PREMIER RADIOLOGY - NEW SALEM

I, MARK GAW, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Mark Gaw, CFO
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 31 day of January, 2017,
witness my hand at office in the County of Davidson, State of Tennessee.

Elizabeth B. Primm
NOTARY PUBLIC

My commission expires 3-10, 2019.

HF-0046

Revised 7/08



COPY

ADDITIONAL
INFORMATION

Mid-TN Imaging, LLC d/b/a
Premier Radiology

CN1701-003

JAN 30 '17 PM 12:2

January 30, 2017

Hand Delivery

Phillip Earhart, HSD Examiner
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application, CN1701-003, Mid-TN Imaging, LLC d/b/a Premier Radiology

Establishment of a New ODC and Initiation of MRI and CT Services

Dear Mr. Earhart:

This letter is a follow up to our responses submitted on Thursday, January 26th. Some reporting inconsistencies were found on the Agency's MRI Equipment Registry for Coffee County, requiring additional research.

This supplemental response follow up is provided in triplicate along with a notarized affidavit.

14. Section B, Need. Item 5 (Historical MRI Utilization in Applicant's Primary Service Area)

Please complete the following table.

RESPONSE: The completed table is provided on a separate page following this cover letter. Despite the reporting inconsistencies cited above, area MRI providers performed more than 3,000 MRI scans in 2015 than in 2013, for a growth rate of 13.4%.

Thank you for the opportunity to provide this supplemental information. Should you have any questions or require additional information, please do not hesitate to contact me.

A notarized affidavit is provided here as well.

Sincerely,



Mark Gaw
Chief Financial Officer

attachments

JAN 30 '17 PM 12:...

Attachment

Service Area Historical MRI Utilization, 2013-2015

Provider	Type	County	# of MRIs (2015)	Distance from applicant (in miles)	2013	2014	2015	% of MRI Standard in 2015 (2,880)	% Change 2013 to 2015
MTI Rutherford	ODC	Rutherford	2	5.2	5,170	5,595	6,480	113%	25.3%
MTI Smyrna	ODC	Rutherford	2	17.5	2,392	3,003	3,614	63%	51.1%
The Image Ctr. Of Murfreesboro	ODC	Rutherford	1	6.7	4,854	5,524	5,244	182%	8.0%
Saint Thomas Rutherford	Hospital	Rutherford	2	6.5	2,386	2,322	2,630	46%	10.2%
TriStar Stonecrest	Hospital	Rutherford	1	17.7	2,369	2,509	2,896	101%	22.2%
Rutherford Co. Facility Sub-Total			8		17,171	18,953	20,864	91%	21.5%
Harton Regional	Hospital	Coffee	1	43.8	2,554	2,110	2,371	82%	-7.2%
United Regional Medical Ctr	Hospital	Coffee	0	35.9	1,610	1,557	N/A	N/A	N/A
Medical Center of Manchester	Hospital	Coffee	0	34.2	721	853	N/A	N/A	N/A
Unity Medical Center	Hospital	Coffee	2	34.2	N/A	N/A	1,871	32%	N/A
Coffee Co. Facility Sub-Total*			3		4,885	4,520	4,242	49%	-13.2%
Bedford County									
Heritage M.C.	Hospital	Bedford	1	20.5	1,125	1,144	1,192	41%	6.0%
Service Area Total			12		23,181	24,617	26,298	76%	13.4%

Source: MRI Equipment Registry (as of 10/17/2016)

Mileage from Google maps

*Coffee County providers have reported data inconsistently, perhaps due to the consolidation of two hospitals into Unity Medical Center

JAN 30 '17 PM 12

AFFIDAVIT

JAN 30 '17 PM 12:22

STATE OF TENNESSEE

COUNTY OF DAVIDSONNAME OF FACILITY: MID-TN IMAGING, LLC dba PREMIER RADIOLOGY - NEW SALEM

I, MARK GAW, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



[Signature] CFO
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of Jan., 2017,
witness my hand at office in the County of Davidson, State of Tennessee.

[Signature]
NOTARY PUBLIC

My commission expires July 8, 2017.

HF-0043

Revised 7/02



State of Tennessee Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

JAN 10 '17 PM 12:43

LETTER OF INTENT

The Publication of Intent is to be published in the The Tennessean which is a newspaper
(Name of Newspaper)
of general circulation in Rutherford and surrounding, Tennessee, on or before 01/10, 2017
for one day. (County) (Year)

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Middle Tennessee Imaging, LLC d/b/a Premier Radiology, an existing outpatient diagnostic center (ODC) provider,
(Name of Applicant) (Facility Type-Existing)

owned by: Middle Tennessee Imaging, LLC with an ownership type of limited liability company
and to be managed by: PhyData, LLC intends to file an application for a Certificate of Need

for [PROJECT DESCRIPTION BEGINS HERE]: the establishment of a new ODC, the initiation of MRI and CT services, and the acquisition of a fixed 1.5T MRI unit and a fixed 16-slice CT unit, all at 2723 New Salem Highway in Murfreesboro, TN, 37128 (Rutherford County). The proposed project supports Middle Tennessee Imaging, LLC's x-ray, mammography and ultrasound services at the Saint Thomas Health - New Salem primary care site. As part of the project, 726 square feet of medical office space will be renovated to house the one fixed MRI and one fixed CT units. Total project costs are estimated to be \$1,311,471.96.

The anticipated date of filing the application is: January 13, 2017

The contact person for this project is

who may be reached at: PhyData, LLC Mark Gaw Chief Financial Officer
(Company Name) (Address)
Goodlettsville TN 37072 615 / 239-2039
(Signature) (Date) (E-mail Address)
Mark.gaw@physdata.com

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Andrew Jackson State Office Building
502 Deaderick Street, 9th Floor
Nashville, TN 37243

RE: CN1701-003, Mid-TN Imaging, LLC d/b/a Premier Radiology

Dear Ms. Hill,

I am writing this letter of support for the proposed Middle Tennessee Imaging (MTI) outpatient diagnostic center to be located within Saint Thomas Health's New Salem primary care center. As you may know, this facility is a key part of our system's strategy to improve access to care for the rapidly growing population of Rutherford County.

A great deal of research was conducted regarding the location of this new facility. We found that many of the new residents buying homes west of I-24 had very little access to care within close proximity of their neighborhoods. Since opening the new facility on February 1st, the clinic has experienced 2,574 visits including 454 new patients. Needless to say, we are very pleased with the response we've seen from the community related to this new care center.

In order to complete our goal for the New Salem site, it is our intent to provide convenient outpatient imaging services including CT and MRI technology. By having these services in addition to other modalities such as digital mammography, we will be able to fulfill our goal of providing the residents of this growing area with a clinically integrated system of care.

Based on the above information, it is my sincere hope that the Health Services and Development Agency will grant a favorable decision in this matter. There is no question that convenient access to the outpatient imaging services proposed in the application is very much needed in this rapidly growing area of Rutherford County.

In His Service,



Gordon B. Ferguson, FACHE
President & CEO, Saint Thomas Rutherford Hospital
President, Saint Thomas Regional Hospitals

1700 Medical Center Parkway
Murfreesboro, Tennessee 37219

p 615-396-4100
STHealth.com

March 23, 2017

Melanie M. Hill
Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th floor
502 Deaderick Street
Nashville, TN 37243

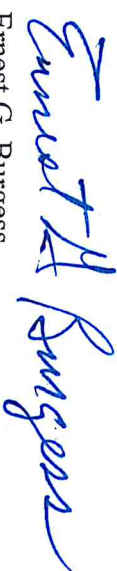
Dear Ms. Hill:

Please accept this letter as an expression of my strong support in regards to Middle Tennessee Imaging, LLC's ("MTI") Certificate of Need application to establish an outpatient diagnostic center at 2723 New Salem Highway. I have the greatest confidence in MTI and I believe this move is an important step toward improving the health status of Rutherford County's community.

As a lifelong resident and the current Mayor of Rutherford County, I have witnessed, first-hand, its rapid population growth. In particular, New Salem Highway, the site of MTI's proposed ODC, has received significant attention because of residential and commercial growth in the area. This diagnostic facility will enable MTI to better meet the growing needs of the Rutherford County community by providing broader access to critical diagnostic services and care closer to where the patients live.

Through my experience as a former Senior Vice-President of Operations of the National Healthcare Corporation, I truly understand the value of quality, cost-effective health services. I strongly believe that MTI's proposed ODC will expand and improve such services in Rutherford County. Thank you for the opportunity to add my endorsement of MTI's application and to encourage your very thoughtful consideration. As you evaluate the application, I respectfully request that you take into account the invaluable contributions of MTI to this area.

Sincerely,



Ernest G. Burgess
Rutherford County Mayor





MAR 23 '17 AM 9:03

... creating a better quality of life

Melanie M. Hill
Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th floor
502 Deaderick Street
Nashville, TN 37243

Dear Ms. Hill,

As Mayor of Murfreesboro, I am constantly encouraging businesses to identify ways in which we can evolve to meet the needs of the residents in the Murfreesboro community. That is exactly what Middle Tennessee Imaging, LLC ("MTI") is doing in its proposal to establish an outpatient diagnostic center at 2723 New Salem Highway. This project will provide the citizens of Murfreesboro with convenient access to high quality health care and diagnostic services.

Murfreesboro is the third largest municipality in Middle Tennessee and is rapidly expanding in population. I commend MTI for wanting to make their outstanding services more available to meet this growing demand and continue to improve the quality of life for area residents. I also recognize that patients are changing how they access care, favoring options that are easy and convenient. Traffic between New Salem and downtown Murfreesboro is a growing concern. This outpatient diagnostic center will provide cost-effective, convenient access to diagnostic services closer to where the patients live and work. For these reasons, and many more, I would like to submit my support for MTI's Certificate of Need application and respectfully recommend the Agency's approval of this project.

Sincerely,

Shane McFarland
Murfreesboro Mayor

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**RULES
OF
HEALTH SERVICES AND DEVELOPMENT AGENCY**

**CHAPTER 0720-11
CERTIFICATE OF NEED PROGRAM – GENERAL CRITERIA**

TABLE OF CONTENTS

0720-11-.01 General Criteria for Certificate of Need

0720-11-.01 GENERAL CRITERIA FOR CERTIFICATE OF NEED. The Agency will consider the following general criteria in determining whether an application for a certificate of need should be granted:

- (1) Need. The health care needed in the area to be served may be evaluated upon the following factors:
 - (a) The relationship of the proposal to any existing applicable plans;
 - (b) The population served by the proposal;
 - (c) The existing or certified services or institutions in the area;
 - (d) The reasonableness of the service area;
 - (e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, TennCare participants, and low-income groups;
 - (f) Comparison of utilization/occupancy trends and services offered by other area providers;
 - (g) The extent to which Medicare, Medicaid, TennCare, medically indigent, charity care patients and low income patients will be served by the project. In determining whether this criteria is met, the Agency shall consider how the applicant has assessed that providers of services which will operate in conjunction with the project will also meet these needs.
- (2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:
 - (a) Whether adequate funds are available to the applicant to complete the project;
 - (b) The reasonableness of the proposed project costs;
 - (c) Anticipated revenue from the proposed project and the impact on existing patient charges;
 - (d) Participation in state/federal revenue programs;
 - (e) Alternatives considered; and
 - (f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.
- (3) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:

(Rule 0720-11-.01, continued)

- (a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, the applicant's proposed TennCare participation, affiliation of the project with health professional schools);
 - (b) The positive or negative effects attributed to duplication or competition;
 - (c) The availability and accessibility of human resources required by the proposal, including consumers and related providers;
 - (d) The quality of the proposed project in relation to applicable governmental or professional standards.
- (4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:
 - (a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.
 - (b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.
 - (c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.
- (5) Certificate of need conditions. In accordance with T.C.A. § 68-11-1609, The Agency, in its discretion, may place such conditions upon a certificate of need it deems appropriate and enforceable to meet the applicable criteria as defined in statute and in these rules.

Authority: T.C.A. §§ 4-5-202, 68-11-1605, and 68-11-1609. **Administrative History:** Original rule filed August 31, 2005; effective November 14, 2005.

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954**

DATE: March 31, 2017

APPLICANT: Middle Tennessee Imaging, LLC d/b/a Premier Radiology
2723 Salem Highway
Murfreesboro, Tennessee 37128

CONTACT PERSON: Mark Gaw

COST: \$2,635,507.00

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Middle Tennessee Imaging, LLC (MTI) d/b/a Premier Radiology, an existing Outpatient Diagnostic Center (ODC) provider, seeks Certificate of Need (CON) approval for the establishment of a new ODC, the initiation of magnetic resonance imaging (MRI) and Computed Tomography (CT) services, and the acquisition of a fixed 1.5Tesla MRI unit to be located at 2723 New Salem Highway in Murfreesboro, TN 37128 (Rutherford County). The proposed project is part of the Saint Thomas Health-New Salem primary care site.

The proposed construction cost for the 726 square feet of medical office building to be renovated to house the MRI and CT units is \$223,205.25 or \$307.45 per square foot as stated on page 11 of the application. Due to insufficient data, there are no comparison median costs for ODC construction listed on the HSDA website. Total project costs are \$2,635,507.00.

Middle Tennessee Imaging, LLC d/b/a Premier Radiology is a joint venture between Saint Thomas Health (53.86%), NOL, LLC (42.15%), and Murfreesboro Imaging Partners (3.99) and was created to own and operate outpatient diagnostic centers. MTI is managed by Phydata, LLC.

MTI owns and operates two full service medical imaging centers in Rutherford County, one is located on the campus of Saint Thomas Rutherford hospital, and the second is located near Tri Star Stonecrest Hospital in Smyrna. The Murfreesboro facility serves mainly five counties- Rutherford, Cannon, Coffee, Bedford, and Warren. The service area for the proposed new ODC will be Rutherford, Bedford and Coffee.

The project will be self-funded by cash on hand according to a letter provided by the Chief Financial Officer in Supplemental # 2, Attachment D.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

NEED:**2017-2021 Total Population Projections**

County	2017	2021	% Increase or Decrease
Bedford	50,845	54,178	6.6%
Coffee	56,423	58,331	3.4%
Rutherford	328,279	367,508	11.9%
Total	435,547	480,017	10.2%

Tennessee Population Projections 2015 Revised UTCBER, Tennessee Department of Health

The MTI New Salem ODC site was chosen to provide imaging services to the Saint Thomas New Salem primary care location which is scheduled to open March 1, 2017. This area south of interstate I-24 has experienced significant growth and is projected to continue this growth pattern well into the future. Due to expected growth, the county (Rutherford) has received state approval to begin widening of New Salem highway in 2018, as well as a new high school in the same Rockvale area in 2019. The continued residential and commercial growth in this area, and because there are no other ODC providers in this direct area, makes this location very convenient for the patients in the service area. Also, healthcare trends have moved imaging services from the hospital setting to more free standing imaging providers.

The Saint Thomas Health New Salem location will offer primary care, physical therapy, Laboratory services, walk-in appointments, and extended hours. Adding an ODC to this mix of services provides a broad continuum of care for the population in the service area. In addition to MRI, the ODC will offer CT, x-ray, mammography, and ultrasound procedures. The location for the new ODC is approximately five miles from the Murfreesboro MTI site, and 17 miles from the Smyrna ODC. According to the applicant nearly 60% of the patients served at the current MTI location reside in Murfreesboro, and by adding another ODC west of Interstate 24 will help alleviate patient scheduling and wait times. Based on the existing referral patterns of MTI's Murfreesboro location, the proposed New Salem patient origins will be comprised mainly of 5 zip codes in south western Rutherford County, and all of Bedford and Coffee counties.

The applicant reports the MRI volumes at the MTI Murfreesboro location for the past 12 months to be 7,223 exams, or 3,612 procedures per each of the MRI units, operating at 100.3% of the MRI capacity standard. A breakout of all the service area MRI providers is located in the MRI criteria section.

TENNCARE/MEDICARE ACCESS:

The applicant contracts with four TennCare MCOs and participates in the Medicaid program. MTI provides services without regard to gender, race, socio-economic status, or ability to pay.

The applicant provided a listing of all managed care contracts on page 52 of the application.

A Projected Payor Mix chart is located on page 49 of the application. For year one of the project, Gross Operating Revenues from Medicare are estimated at \$927,891 or 14.8% of Total Revenues, and \$654,613 Gross Operating Revenue and 10.4% of Total Revenue from TennCare/Medicaid.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located in Supplemental #2 of the application outlining a total projected project cost of \$2,635,507.00.

Historical Data Chart: As a new project, there is no historical data.

Projected Data Chart: The Projected Data Chart is located in Supplemental #2 of the application detailing 2,614 MRI scans in year one, and 2,540 scans in year two, with net incomes of \$251,506 and \$338,811 respectively, and Net operating Margins of 29.1% and 31.3%.

The Average Gross Charges per MRI for year one and two are \$1640 per exam, \$1,229 deductions, and an Average Net Operating charge of \$412.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

MTI will purchase a refurbished GE 1.5T MRI HDxt MRI unit with a sales price of \$445,000. This unit is capable of imaging musculoskeletal, body and breast, cardia, neuro, and vascular imaging. This purchase is a better economic option, while still providing the 1.5T standard of care and allowing for positive financial margins in years one and two of the project.

The project will include 3 Full Time Equivalent employees, one MRI technologist, one CT technologist, and one front desk employee.

MTI operates two other ODCs in Rutherford County, both of which have limited access for expansion. Opening a third ODC and providing imaging services for an already existing medical primary care clinic and addressing the growing population of the service area was the most practical option. A Project Completion Chart is located on page 62 of the application noting a completion date of March 2018.

QUALITY STANDARDS:

The MTI ODC will be licensed by the Tennessee Department of Health. The CT and MRI units will be accredited by the American College of Radiology. As an existing ACR accredited provider, MTI is aware of the procedures to obtain licensing and ACR accreditation. There are no outstanding state licensure deficiencies.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

OUTPATIENT DIAGNOSTIC CENTERS

1. The need for outpatient diagnostic services shall be determined on a county by county basis (with data presented for contiguous counties for comparative purposes) and should be projected four years into the future using available population figures.

2017-2021 Total Population Projections

County	2017	2021	% Increase or Decrease
<i>Bedford</i>	<i>50,845</i>	<i>54,178</i>	<i>6.6%</i>
<i>Coffee</i>	<i>56,423</i>	<i>58,331</i>	<i>3.4%</i>
<i>Rutherford</i>	<i>328,279</i>	<i>367,508</i>	<i>11.9%</i>
Total	435,547	480,017	10.2%

Tennessee Population Projections 2015 Revised UTCBER, Tennessee Department of Health

2. Approval of additional outpatient diagnostic services will be made only when it is demonstrated that existing services in the applicant's geographical service area are not adequate and/or there are special circumstances that require additional services.

2015 HSDA Service Area MRI Utilization (as of 10/17/2016)

<u>Facility</u>	<u>County</u>	<u>Fixed</u>	<u>Procedures</u>	<u>Mobile</u>	<u>Procedures</u>
Tennova Healthcare-Shelbyville	Bedford	1	1199	n/a	n/a
Tennova Healthcare-Harton	Coffee	1	2354	n/a	n/a
Unity Medical Center	Coffee	2	1871	n/a	n/a
Imaging Center of Murfreesboro	Rutherford	1	5244	n/a	n/a
Premier Radiology(MTI) Murfreesboro	Rutherford	2	6480	n/a	n/a
Premier Radiology (MTI) Smyrna	Rutherford	1	3614	n/a	n/a
Saint Thomas Rutherford	Rutherford	2	2572	n/a	n/a
Stonecrest Medical Center	Rutherford	1	2896	n/a	n/a
Totals		11	26230	n/a	n/a

Source: 2015 HSDA MRI Equipment Registry
10/17/16

Per the HSDA Equipment Registry as of 10/17/16, there were 11 fixed MRI units in operation in the applicant service area with a total of 26,230 exams performed. The average annual exam volume per unit was 2385 exams. This represents 83% of the 2,880 minimum annual average per the MRI criteria for providers in the service area.

Note to Agency Members: according to the 2015 Joint Annual Report for Outpatient Diagnostic Centers, Premier Radiology (MTI) Smyrna, reported operating two (2) mri units with a total of 3615 procedures. Performing the calculation with 12 mri units in the service area, the average annual exam volume per unit was 2186 exams. This represents 76% of the 2,880 minimum annual average per the MRI criteria for providers in the service area. The applicant supplied an MRI utilization chart also noting 2 MRI units at the MTI Smyrna location and confirming the per unit utilization of 76%

3. Any special needs and circumstances:

- a. The needs of both medical and outpatient diagnostic facilities and services must be analyzed.

The applicant reports the MRI volumes at the MTI Murfreesboro location for the past 12 months to be 7,223 exams, or 3,612 procedures per each of the MRI units, operating at 100.3% of the MRI capacity standard.

- b. Other special needs and circumstances, which might be pertinent, must be analyzed.

The applicant cited high utilization of existing providers, rapid population growth, and traffic congestion as adversely impacting patient access, and also lower costs ODC services as compared to hospital outpatient departments as pertinent to the project.

- c. The applicant must provide evidence that the proposed diagnostic outpatient services will meet the needs of the potential clientele to be served.

- 1. The applicant must demonstrate how emergencies within the outpatient diagnostic facility will be managed in conformity with accepted medical practice.

Applicant states a physician will be present whenever patients are receiving diagnostic services. Technologists will be trained to handle emergency situations. A crash cart with appropriate medication will be on site. A hospital transfer agreement with Saint Thomas Hospital Rutherford is included in the application.

- 2. The applicant must establish protocols that will assure that all clinical procedures performed are medically necessary and will not unnecessarily duplicate.

The applicant states that as an existing ODC provider, existing policies regarding medical necessity and medical appropriateness will be maintained.

STATE HEALTH PLAN

CERTIFICATE OF NEED STANDARDS AND CRITERIA

FOR

MAGNETIC RESONANCE IMAGING SERVICES

The Health Services and Development Agency (HSDA) may consider the following standards and criteria for applications seeking to provide Magnetic Resonance Imaging (MRI) services. Existing providers of MRI services are not affected by these standards and criteria unless they take an action that requires a new certificate of need (CON) for MRI services.

These standards and criteria are effective immediately as of December 21, 2011, the date of approval and adoption by the Governor of the State Health Plan changes for 2011. Applications to provide MRI services that were deemed complete by HSDA prior to this date shall be considered under the Guidelines for Growth, 2000 Edition.

Standards and Criteria

- 1. Utilization Standards for non-Specialty MRI Units.
 - a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to

a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

The Projected Data Chart is located in Supplemental #2 of the application detailing 2,614 MRI scans in year one, and 2,540 scans in year two.

- b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Not applicable

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Not applicable

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

Not applicable

- e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with another medical equipment such as a megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

Not applicable

- 2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The applicant states that the location is accessible to approximately 95% of the service area population. No non-Tennessee residents are included.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

At \$445,000, the purchase of a used 1.5T GE MRI scanner will provide an affordable equipment cost while providing quality standard of care.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

2015 HSDA Service Area MRI Utilization (as of 10/17/2016)

Facility	County	Fixed	Procedures	Mobile	Procedures
Tennova Healthcare-Shelbyville	Bedford	1	1199		
Tennova Healthcare-Harton	Coffee	1	2354		
Unity Medical Center	Coffee	2	1871		
Imaging Center of Murfreesboro	Rutherford	1	5244		
Premier Radiology(MTI) Murfreesboro	Rutherford	2	6480		
Premier Radiology (MTI) Smyrna	Rutherford	1	3614		
Saint Thomas Rutherford	Rutherford	2	2572		
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Totals		11	26230		

Source: 2015 HSDA MRI Equipment Registry
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Per the HSDA Equipment Registry as of 10/17/16, there were 11 fixed MRI units in operation in the applicant service area with a total of 26,230 exams performed. The average annual exam volume per unit was 2385 exams. This represents 83% of the 2,880 minimum annual average per the MRI criteria for providers in the service area.

Note to Agency Members: according to the 2015 Joint Annual Report for Outpatient Diagnostic Centers, Premier Radiology (MTI) Smyrna, reported operating two (2) mri units with a total of 3615 procedures. Performing the calculation with 12 mri units in the service area, the average annual exam volume per unit was 2186 exams. This represents 76% of the 2,880 minimum annual average per the MRI criteria for providers in the service area. The applicant supplied an

MRI utilization chart also noting 2 MRI units at the MTI Smyrna location and confirming the per unit utilization of 76%

5. Need Standards for Specialty MRI Units.

Question 5 in its entirety is not applicable.

- a. Dedicated fixed or mobile Breast MRI Unit. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;
 2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit are in compliance with the federal Mammography Quality Standards Act;
 3. It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.
 4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.
- b. Dedicated fixed or mobile Extremity MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty

MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.

- c. Dedicated fixed or mobile Multi-position MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.
6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. If data availability permits, Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of these Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty MRI Unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

Not applicable.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

FDA approval letter for the proposed MRI unit is included in attachment B of the application.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

A letter from the project architect is provided in the application.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

Applicant states a physician will be present whenever patients are receiving diagnostic services. Technologists will be trained to handle emergency situations. A crash cart

with appropriate medication will be on site. A hospital transfer agreement with Saint Thomas Hospital Rutherford is included in the application.

- d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

The applicant states that as an existing ODC provider, existing policies regarding medical necessity and medical appropriateness will be maintained.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The applicant will seek American College of Radiology accreditation and maintain those standards of staffing, as well as staff training and education.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The applicant will seek American College of Radiology accreditation and maintain those standards of staffing, as well as staff training and education. As an existing ACR accredited provider, MTI is aware of the procedures to obtain licensing and ACR accreditation.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

Applicant states a physician will be present whenever patients are receiving diagnostic services. Technologists will be trained to handle emergency situations. A crash cart with appropriate medication will be on site. A hospital transfer agreement with Saint Thomas Hospital Rutherford is included in the application.

- 8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

The applicant commits to supplying the required HSDA documentation in a timely fashion.

- 9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

According to <https://datawarehouse.hrsa.gov>, the service area of Rutherford, Bedford, and Coffee counties or portions of those counties are indicated as medically underserved areas.

- b. Who is a “safety net hospital” or a “children’s hospital” as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Not applicable.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant contracts with four TennCare MCOs and participates in the Medicaid program.

- d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

Not applicable.

Standards and Criteria Regarding Certificate of Need Applications for Magnetic Resonance Imaging Services

1. **Exceptions to Utilization Standards:** Exceptions to the standard number of procedures has been retained for new or improved technology and diagnostic applications, and for mobile MRI Units in operation fewer than 150 days of service per year. Applications for hybrid MRI Units (e.g., MRI Units combined with PET Units or MRT Units) may be assessed under the primary use of the hybrid unit.
2. **Other Access Issues:** The provision of health care doesn’t recognize state boundaries. Accordingly, applicants may include non-Tennessee counties in proposed service areas if that data are available.
3. **Economic Efficiencies:** To support the goal of reducing health care costs, applicants should document that other options have been investigated and found less advantageous.
4. **Specialty MRI Units Standards:** Dedicated Breast MRI Units have a proposed total capacity estimate of 2,000 procedures per year. Dedicated Extremity and Dedicated Multi-position MRI Units do not have a defined estimate; an applicant must demonstrate total capacity as well as its estimated annual utilization that, by the third year, will be at least 80% of total capacity.

5. **Inventories:** Given that there are proposed different standards for Specialty and non-Specialty MRI Units, separate inventories should be maintained. Additionally, a CON granted for the institution of a Specialty MRI Unit should not be permitted to be used for non-Specialty MRI purposes; it is recommended that any CON granted for Specialty MRI purposes so state on its face.
6. **Quality of Care:** Specific staffing, training, and education standards are included to help ensure patient safety and quality of care provided.